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## NEWS SUMMARY

### GENERAL

## Crisis talks on Iran unrest

Crisis meetings are taking place in Tehran after a weekend of anti-Shah violence which has left hundreds killed and wounded.

There is overwhelming evidence that the toll is much higher than the official casualty figures of 11 dead and 56 wounded.

Since the start of the mourning month of Moharram on Friday the 9 p.m. curfew has been ignored by thousands.

It is understood that the setting up of a new civilian government is being considered. The Shah's future is another of the key subjects under discussion. Back Page

### Israelis draft reply to Sadat

The exchange of letters between Israel and Egypt was described by Prime Minister Menahem Begin as "a very important contact" between the two governments.

The weekly meeting of the Israeli cabinet agreed the lines of Mr. Begin's reply, but neither it, nor Mr. Sadat's letter, will be published unless both sides agree.

No decision seems to have been taken on whether to send the Israeli negotiating team back to Washington. Page 2

### SWAPO arrests

Six leaders of the South West Africa People's Organisation (SWAPO) were arrested by South African police on the eve of polling in the South African supervised Namibian elections. The arrests followed two bomb blasts in the capital, Windhoek. Back Page

### Ian Smith plea

Rhodesian Prime Minister Ian Smith, in nationwide radio and TV broadcasts, defended last week's "National Government" proposal and appealed to the 250,000 whites to stay in the country and make the internal settlement work. Page 2. British envoy Cledwyn Hughes arrived in Pretoria to continue his attempt to set up all-party talks on Rhodesia, undeterred by rebuff for the idea from guerrilla leader Joshua Nkomo.

### Kidnap hunt

Road blocks were set up on main roads throughout El Salvador as security forces hunted kidnappers of British bank officials Ian Massie and Michael Chatterton, seized on Thursday.

### Refugee deaths

Nine more Vietnamese were feared dead after further incidents involving refugee boats off Malaysia's east coast. More than 350 refugees are thought to have died here in the past two weeks. Another 18 Vietnamese refugees drowned when their boat sank off Narathiwat in southern Thailand.

### Pole fault

Flagpoles outside the House of Commons go up and down "with the regularity of a fiddler's elbow," says Labour MP John Ellis. He is to ask Peter Shore, Environment Secretary, for an explanation today.

### Briefly . . .

Attempts to rescue 41 black miners trapped in a blazing gold mine shaft south-west of Johannesburg were abandoned. All are believed dead.

Tornadoes in north-west Louisiana killed three, injured 100 and caused widespread damage.

Unmanned U.S. spacecraft Pioneer Venus 1 manoeuvred successfully in readiness for going into orbit round Venus today.

### BUSINESS

## Tough line on pay

● BRITISH employers are preparing to take a fairly tough line on pay increases, according to the latest Financial Times survey of business opinion.

The findings mirror those of the CBI's November survey, published last week, which concluded that while consumer spending continued to raise the level of demand for goods in manufacturing industry, any boost to business confidence was overshadowed by fears of industrial unrest over pay.

Employers canvassed in the FT survey expected wages to increase between 5 per cent and 9 per cent. Page 6 and Back

● STRIKE-PRONENESS of manufacturing plants varies dramatically according to size, with more than 75 per cent of very large factories in the UK suffering stoppages every year. This is the conclusion of a study by the National Institute of Economic and Social Research. Page 6

● MONETARY guideline for the 12 months to next October could allow inflation of up to 14 per cent, even though it represents a considerable tightening of monetary policy, according to City stockbrokers Phillips and Drew.

At the same time another economist has estimated that because of the present high level of interest rates UK inflation could be held at its present level of 7 per cent to 8 per cent a year. Page 4

● RETAIL PRICE index does not adequately reflect the effect of inflation on low income households, particularly those of larger families, a report by the Low Pay Unit says. Page 6

● LOCAL AUTHORITIES in the UK appear to be succeeding in their attempts to spread the effects of their borrowing requirements over longer periods, according to figures published by the Chartered Institute of Public Finance and Accountancy. Page 5

● BANK for International Settlements figures show a slow-down in the growth of international bank lending in the second quarter of this year. Page 35

● U.S. pay and prices guidelines introduced as part of President Carter's anti-inflation programme are being challenged in the courts by a small West Coast paper workers' union, which alleges that the policy is illegal on the ground that the guidelines are really mandatory controls which the President has no power to authorise. Page 2

● CENTRAL Policy Review Staff is to call in consultants to help its investigation into which turbine generator is most suited for the next two nuclear power stations at Heysham and Torness. Four turbines, worth £120m to £140m will be required for the two stations. Back Page

● PRIME MINISTER will make a public commitment to encourage industry to use microelectronics at a special meeting of the National Economic Development Council. This will be accompanied by a warning from the Government think tank that if industry is to benefit fully from the new technology, workers will have to be prepared for greater job mobility. Back Page

● CONTRACTS for building 19 advance factories in Cardiff at a cost of £3.2m have been announced by the Welsh Development Agency as part of a crash programme to boost jobs in the city, following closure of BSC's East Moors steelworks. Back Page

● SWEDISH government has made a SKr 20m (£4.5m) offer for the whole of the Kockums group, the last of the big Swedish shipyards remaining in private ownership. Page 33

## CONTENTS OF TODAY'S ISSUE



### FEATURES



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# Pressure on Britain for early decision to join EMS

BY GUY DE JONQUIERES AND PETER RIDDELL, BRUSSELS, DEC. 3

**THE PRIME MINISTER is expected to be urged by other EEC Government leaders this week to commit Britain to becoming a full member of the proposed European Monetary System as soon as possible.**

Preferably, they want Britain to join well before the end of next year.

Mr Callaghan will probably also be asked for a firm undertaking that, meanwhile, the UK will try to ensure that the sterling exchange rate will be closely aligned with those of other EEC currencies.

Mr. Callaghan will tell other leaders that the Government's economic and monetary policies are designed to achieve that stability, whether the UK joins the EMS or not.

Several of Britain's EEC partners are thought likely to insist at the two-day European Council summit, which opens here tomorrow, that such pledges are necessary if they are to respond positively to the UK's demands.

These are principally for better distribution of financial burdens within the EEC, through Community Budget reform and a cut in expensive agricultural surpluses.

Those objectives remain controversial, especially concerning the Common Agricultural Policy. However, there have been indications recently that at least Chancellor Helmut Schmidt of West Germany is prepared to give them a serious hearing, provided that Mr. Callaghan is willing to set a target date for full membership of the system.

Diplomatic contacts have been intense since late last week in an effort to resolve differences between the nine Governments before tomorrow's conference. They have been focused on a meeting of senior national officials in Frankfurt, at which Britain was represented by Mr. Michael Butler, an assistant under-secretary at the Foreign Office.

Britain's partners might apparently settle for a personal statement from Mr. Callaghan of Britain's intent to become a full member of the system, perhaps after next year's general election.

### Reservations

So far, Mr. Callaghan has given no indication that he will comply. In a confidential letter to other EEC leaders at the end of last week, he repeated reservations about aspects of the scheme and said that Britain might not participate at the outset in its central mechanism for linking EEC exchange rates.

There has been speculation this weekend that some leaders may press for launching the scheme immediately after this week's meeting instead of at the start of next year, as originally planned. They are apparently concerned about possible foreign exchange market disturbances and by the widespread belief that the Deutschemark will have to be revalued again before the scheme starts.

Nevertheless, numerous technical points have still not been precise rules to govern Central Bank intervention on the foreign exchange markets; provisions for settling official intervention debts; and division of the supporting credit facilities, worth about $35bn, between medium and short-term components.

If, as seems likely, the UK stays out of the currency mechanism at the start, some additional questions will have to be answered. They include sterling's position in the basket of all EEC currencies against which exchange rates will be defined, and the UK's involvement in the credit facilities.

In his letter Mr. Callaghan is understood to have emphasised that the EMS was based on the Community and that the UK was therefore entitled to participate in its other features even if it did not immediately join the exchange rate regime.

However, other leaders, notably President Giscard d'Estaing of France, may question that interpretation if the UK refuses to commit itself to a firm date for entry.

A possible compromise would be for Britain to join the whole scheme at the outset but then immediately to drop out of the currency regime by invoking a provision for temporary withdrawal.

France favours including that provision. It fears that it may have to use it in the future.

All other EEC members appear certain to join from the start except Italy and Ireland, whose decisions remain finely balanced. Politically, both countries strongly favour membership but fear that it might be economic-

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# EEC proposes cuts in farm price support

BY MARGARET VAN HATTEM BRUSSELS, Dec. 3.

RADICAL CHANGES in farm policy, including cuts in price support for more than a quarter of the EEC's 8.5m farmers and a price freeze for the rest, will be put to Community heads of government meeting here tomorrow.

The European Commission, in a paper on the future of the Common Agricultural Policy drawn up for the summit, urges heads of government to approve new guidelines that would commit Agriculture Ministers for the next few years to curbing growth of food surpluses and cutting back spending on agriculture.

Specific proposals include:

● A general price freeze for 1979-80. The Commission further insists that support prices should be held down as long as surpluses remain.

● Automatic cuts in price support measures for dairy farmers, if milk output rises further. It is estimated to have risen 3.5m tonnes already this year.

● Direct income subsidies for small-scale farmers, particularly in the dairy sector.

● Alignment of national farm price levels, if and when the proposed European Monetary System (EMS) succeeds in stabilising EEC currencies. The present system—with German farm prices more than 44 per cent higher than British ones—costs the Community more than $1bn a year in subsidies (Monetary Compensatory Amounts) on intra-Community exports, to offset differences between national price levels.

### Optimistic

The Commission also suggests, rather more tentatively, that the growing gap between EEC and world market prices should be narrowed to ease the strain put on the Community budget by subsidising exports to third countries.

The paper was drawn up by Mr. Finn Olav Gundelach, EEC Agriculture Commissioner, and approved by the other Commissioners last week. The Commission appears optimistic that government leaders will approve it without major changes, but feels that tougher measures would not be politically possible.

The call for a "rigorous" prices' policy, "so long as major market imbalances exist" and for cuts in returns to milk producers should their production rise, appears revolutionary after eight years of price increases.

Although the paper emphasises the need to eliminate market imbalances, there is nothing to suggest that the proposed measures would do more than check the growth of surpluses.

Moreover, although government leaders may approve the guidelines, it will not be clear until Agriculture Ministers begin negotiating the next Farm Price Review how far EEC governments consider themselves bound to accept proposals within the framework.

EEC leaders, including Herr Helmut Schmidt, the German Chancellor, have often spoken out in public against the absurdity of paying farmers to produce surpluses, urging cuts in the cost of the CAP. But this has never discouraged their Agriculture Ministers from pushing for higher prices.

### Reforms

The Commission, in seeking a firm, long-term commitment on farm price policy at summit level, evidently hopes to weaken the Agriculture Council's near-absolute control over three-quarters of the Community budget.

Summit approval of its paper could be an important first step towards some of the reforms Britain is seeking as a condition for its full participation in the EMS.

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But Agriculture Ministers, most of whom see themselves as farmers' representatives, will not take kindly to the implied reduction of farm incomes, even though the Commission considers most farmers sufficiently well-off to withstand it and even though the rise in farm costs over the past year has been minimal.

The real battle will begin with presentation of detailed price proposals later this month.

Christophr Parkes writes: A one-year freeze on the European Community's so-called "common" farm prices will bring no direct benefits to consumers in Britain. Many retail food prices will continue to increase according to seasonal and cyclical patterns regardless of any decisions at the Community summit in Brussels this week or at the annual EEC Farm Price Review next spring.

The intervention or support buying prices established by the Community each year are far from being the only elements influencing prices.

The price of butter, for example, is officially subsidised by the EEC at present. It is also unofficially subsidised by a competitive distributive trade which is still using stocks imported into Britain or produced in the U.K. 12 months ago.

The Common Market's official subsidy however is being phased out. And stocks in wholesalers' and retailers' warehouses are fast running out.

Cheese, up to £200 a tonne in the past three months, will continue to rise in price if the am-

Continued on Back Page

# Scottish lorry drivers urged to strike

By Nick Garnett, Labour Staff

PRIVATE HAULAGE lorry drivers throughout Scotland are being recommended by union negotiators to strike from January 3 in a repeat of the 1974 stoppage, also over pay, which paralysed supplies to industry.

Union officials representing drivers in areas of England and Wales are also understood to have warned employers unofficially that they are prepared to recommend strike action from the same date.

Industrial action by drivers, which has seemed certain ever since pay negotiations with the separate regions of the Road Haulage Association began in the current wage round, would pose a major challenge to the Government's 5 per cent limit.

Ministers have already warned Scottish employers that if they breach the limit, they face sanctions.

Last year, settlements within the association's regions averaged 15 per cent in clear breach of the then Phase Three 10 per cent guideline. The Government retaliated by withdrawing contracts from individual companies, particularly in the West Midlands, which was the first to settle.

Significantly, there seems to be growing pressure from the drivers to mount national rather than regional action.

A mass meeting of Glasgow drivers decided yesterday to support the recommendation from their Transport and General Workers' Union negotiators but only if the strike is carried out in all the association's regions in the UK.

The drivers have submitted a national claim worth 20-30 per cent, to increase the basic rate of £53 for 40 hours to £65. They are also demanding a 35-hour week.

The Scottish employers' offer, which is broadly similar to that made by other regions, is being put to the 5,000 drivers by ballot. Previous pay proposals were overwhelmingly rejected.

The offer involves a 5 per cent rise on basic rates and £36 in compensation for moving the settlement date from November to January. This would bring Scotland into line with most of the other regions.

The night work shift rate would also be improved by 5 per cent and the subsistence allowance increased from £6.65 to £7.50. Four weeks' holiday would be granted after two years' service, instead of the present three years beginning in May next year.

Commons Pay Vote, Page 5

# OPEC bank deposits cut for first time since 1973

BY NICHOLAS COLCHESTER

THE SECOND QUARTER of 1978 was the first since the 1973 oil crisis in which the OPEC countries reduced their deposits with the international banking system, says the quarterly report from the Bank for International Settlements. Deployment of oil money was therefore no longer a source of growth in the international banking business.

With new borrowings of $2bn, and withdrawals of $3.3bn, the OPEC countries were the largest net bank borrowers of all groups of countries in the second quarter.

This development reflected the rapid contraction of their balance-of-payment surpluses, and the $5.2bn decline in their gross reserves in the first half of this year.

Withdrawal of oil funds was widespread among the OPEC lands, and involved several of the largest oil exporters, such as Iran, Kuwait, Libya, Saudi Arabia, and Venezuela.

The new borrowing was chiefly by Venezuela and Algeria. Of the $3.3bn withdrawn, $2.7bn was in dollars, while about a third of the new borrowing was in the same currency.

While OPEC made the largest net demand on the banking system in the second quarter, the non-oil developing countries were the heaviest gross borrowers.

They raised $4.2bn from the banks, while depositing $2.1bn. In the first half these countries borrowed $7.5bn gross, three times as much as in the previous year's first half.

Net borrowings of the non-oil developing countries in the first six months of $2.1bn were in contrast to their net deposits in that period. Again, this was a reflection of their deteriorating balance-of-payments position. The fact that they chose to increase borrowing rather than slow the pace of reserve accumulation suggests that they have been taking advantage of the favourable spreads available in the international credit market.

The big borrowers among the non-oil developing countries were as usual Latin American countries, which accounted for about two-thirds of new gross borrowing.

The deposits were more widely spread. East European countries raised $2bn in new loans in the second quarter, and here too the new gross borrowings in the first six months of $4bn were substantially higher than the $0.8bn raised in the same period of the preceding year.

This increase was due, as with the non-oil developing countries, to a shift from deposit-reduction to borrowing.

International capital markets. Page 35

# Strike affects all newspapers

BY NICK GARNETT, LABOUR STAFF

THE WHOLE of the newspaper and broadcasting industry became embroiled at the weekend in the first open-ended national strike by provincial newspaper journalists, which begins today.

The executive of the National Union of Journalists agreed to instruct its members in broadcasting and on national newspapers not to handle any copy from the Press Association, the national news agency, from noon today.

The NUJ's 200 members at PA have been instructed to stop work from mid-day in support of the 9,000 provincial journalists who are seeking a £20-a-week rise. About 1,200 newspapers are affected.

The union chapel (office branch) at PA meets this morning to decide whether to obey the instruction. Many NUJ members are certain to exert pressure against industrial action.

The executive's instruction to Fleet Street and broadcasting journalists not to handle PA copy takes effect irrespective of the decision by the agency's chapel.

The union is also notifying freelance members not to send copy to the agency or to send to national newspapers copy that would normally be sent only by PA.

The effectiveness of the provincial strike will be determined by the extent to which PA journalists follow the instruction. Mr. Harold Pearson, who represents the PA and London news agencies on the NUJ executive, said last night that he was resigning from the executive immediately.

Mr. Ken Ashton, NUJ general secretary, said at a press conference yesterday that the union was looking for a "short, sharp struggle" to secure a much improved pay offer. Union officials say, however, that the dispute might become long and bitter if support from agency journalists proves thin.

The Newspaper Society, representing provincial employers, has offered 8.7 per cent provided that provincial journalists are recognised by the Department of Employment as a "special case". The society's council meets on Wednesday.

The executive of the Society of Graphical and Allied Trades is understood to be recommending its members to co-operate with managements of national newspapers in increasing print runs during the suspension of The Times. The executives of other print unions are meeting this week to reassess their position on the dispute. Lord Thomson of Fleet, president of Times Newspapers, who is expected to involve himself in the crisis, arrived in Britain at the weekend.

# Russia in talks on new car

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT MOSCOW, Dec. 3.

THE SOVIET UNION wants to put a family saloon of Cortina size on the road as quickly as possible, and has had initial discussions with a handful of West European manufacturers about the project.

Ford, General Motors—which makes Opel and Vauxhall cars in Europe—Renault and Citröen have been involved in the talks. The Russians insist that though the project is in its very early stages, some Western carmakers are seriously interested.

Negotiations will be complex, but the Soviet Ministry of Automobile Transport hopes they will be completed in time for the start of the next Five Year Plan in 1981.

The idea would be for one of the two plants near Moscow now making the outdated Moskvich cars to switch production to the family saloon, which would be identical with a model produced in the West. Up to 200,000 a year would be produced.

At present, the Soviet Union wants the Western manufacturers to pay for the re-equipment programme and then take cars produced at the Moscow plant in payment.

About 30 per cent of the output would be exported and any of the companies named could easily absorb the 60,000 to 70,000 cars a year involved in their European sales networks.

Production costs are much lower in Russia than in the West and the scheme could be highly profitable for the Western manufacturer concerned.

But tremendous obstacles have to be cleared away for the project to come to fruition, not the least of them the political problems facing U.S.-owned concerns like Ford and General Motors in a deal of this sort.

# OVERSEAS NEWS

## Desai faces row with rebel Ministers

By K. K. Sharma

NEW DELHI, Dec. 3.

MINISTERS in the Indian Cabinet seeking confrontation with the Prime Minister, Mr. Morahji Desai, because of the Janata Government's poor image and performance, are expected to meet him this week following a by-election today.

The crisis began after the former Prime Minister, Mrs. Indira Gandhi, won a seat in parliament last month in the southern state of Karnataka, but Mr. Desai's critics were asked not to bring it to a head until two more by-elections were over.

*In the first of these, at Samastipur,* Janata won. The second was today's polling in the Fatehpur constituency of the northern state of Utter Pradesh.

Mr. Desai came under fierce attack at a party executive meeting after Mrs. Gandhi's victory, mainly at the hands of the Janata party president, Mr. Chandra Shekhar, and the Socialist Minister of Industry, Mr. George Fernandes. Both felt that Mrs. Gandhi had managed to win because of Mr. Desai's and the Government's "non-performance" and the widespread disillusionment with the party because of its continuing internal squabbles.

Mr. Fernandes is widely reported to have told the Prime Minister that he does not want to continue in the Cabinet any longer, although he has denied that he has formally resigned. The resignation could come this week when Mr. Fernandes and some of his Cabinet colleagues are to meet among themselves and then with the Prime Minister.

Mr. Desai is not unaware of the moves and he is showing signs of bending before pressure on him to carry other members of the Cabinet with him. The first test of his willingness to relent will come in the next day or two when he will decide finally whether or not to take the influential farmers' leader, Mr. Charan Singh, back into the Cabinet. Mr. Singh was sacked about six months ago for blaming the Cabinet publicly for not taking action against Mrs. Gandhi.

## Court challenge to U.S. pay policy

BY JOHN WYLES

NEW YORK, Dec. 3.

A SMALL U.S. West Coast paper workers union, describing itself as "The House that Roared," has launched what is thought to be the first legal challenge to President Carter's anti-inflation programme.

The activities of the 22,000-member Association of Western Pulp and Paper Workers have already had far more significance than the union's size would suggest. Since early July a strike by some 14,000 of its members has slashed paper production on the West Coast and, while there have been a few settlements, some nine companies are still resisting demands for double digit wage increases and higher pension benefits.

The introduction of the President's pay and price guidelines on October 24 (limiting average wage and benefits rises to 7 per cent) has greatly complicated the dispute, although it has not lessened the union's determination to secure a two-year contract with pay rises of more than 10 per cent each year.

In a suit filed in a U.S. district court in Portland, Oregon, the paperworkers ask for a declaration that the policy is illegal on the grounds that the guidelines are really mandatory controls which the President has no power to authorise. Most observers had expected the first legal challenge to the President to come from an aggrieved company facing Government sanctions for ignoring the guidelines.

However, it is clear that the union's action has been sparked by a letter sent by the Council on Wage and Price Stability telling Crown Zellerbach, one of the worst-hit companies, that pre-guidelines settlements signed by other pulp and paper companies did not establish a "tandem relationship." The Administration's policy allows breaches of the guidelines by settlements which normally follow established pacesetters. The union contends that there is a traditional link between contracts throughout the West Coast pulp and paper industry. If the Government had accepted this, the strikers could have hoped for first year increases of 10.75 per cent and 10.25 per cent in the second year.

Crown Zellerbach has told its employees that it cannot settle outside the 7 per cent limit for fear of Government reprisals, but the strike shows no sign of crumbling after four months. The company has gone to extraordinary lengths to keep its mills working and has withdrawn all salesmen (and a good proportion of its management) from normal activities in order to put them into paper manufacturing.

The paperworkers' move has tarnished a little the impact of a carefully orchestrated series of announcements in support of the policy by large corporations. On Friday, two of America's largest companies, American Telephone and Telegraph and General Motors, sent letters to the White House pledging their compliance with the guidelines.

## Paris police puzzled by shop bomb

By David Curry

PARIS, Dec. 3.

**FRENCH POLICE are uncertain how much credence to give to a telephone call claiming responsibility for Saturday's bomb blast in a Paris store by the separatist Breton Liberation Front. The call came after a bomb exploded in the Bazar de L'Hotel de Ville, critically injuring a 67-year-old shop assistant and badly wounding two other people.**

Two days earlier two Bretons were jailed for 15 years for exploding a bomb in the Palace of Versaille causing very heavy damage but no injury to life. The store bomb was unusual in that the BLF normally attacks government offices and radio transmitters, seen as symbols of Paris "oppression," rather than seeking human targets.

There was also street violence over the weekend when left wing militants and ecologist groups took over a peaceful demonstration against the government's plan to extend the military camp on the Larzac plateau in central France. Peasants

## Swiss turn down state police plan

By John Wicks

ZURICH, Dec. 3.

IN A NATIONAL referendum in Switzerland this weekend, a majority of the electorate voted against a Government motion to set up a federal security police force. In co-operation with the cantons, this corps would have been used particularly to fight terrorism along with the protection of conferences, embassies, airports and foreign heads of state.

The motion had been opposed by a number of political parties and individual groups. The Social Democrats and other left-wing organisations were concerned at the possible use of the federal force in the case of demonstrations, strikes, occupations of nuclear power station sites and similar civil actions.

Other bodies, including such right-wing and nationalistic groups as Dr. James Schwarzenbach's Republic Movement, saw the motion reducing cantonal sovereignty and claimed it was unnecessary in that the central government already has the right to call on cantonal police for support. There was also opposition in poorer, rural cantons who in case of trouble can call on the police in neighbouring cantons—and thus need not contribute to a standing crisis corps.

## Israeli Cabinet meets on reply to Sadat

BY L. DANIEL

JERUSALEM, Dec. 3.

THE ISRAELI Cabinet at its weekly meeting today discussed the latest letter from President Anwar Sadat of Egypt to Premier Menahem Begin. Its contents were not revealed—in accordance with an agreement reached between Cairo and Jerusalem. Nor will Mr. Begin's reply be published, unless both sides agree to it.

The general lines of the Israeli Premier's reply were agreed at the Cabinet meeting, and Mr. Begin will consult his top Ministers on the final draft tomorrow. Mr. Begin described the exchange of letters as a very important contact between the two governments.

Several cabinet ministers said after today's session that in their view there is neither a deadlock nor a breakthrough in the negotiations so far. No decision appears to have been taken on whether to send the Israeli negotiating team back to Washington.

Israel remains opposed to revision of the draft treaty which it approved, but there may be room for an exchange of letters which would solve the thorny problem of a timetable for the holding of elections on the West Bank and in Ghaza.

No solution is yet in sight to the Egyptian demand that the peace treaty be subordinate to prior Egyptian commitments to other Arab countries.

**Reuter adds from Cairo: Egypt and Israel may agree to postpone their deadline for signing a peace treaty, Dr. Boutros Ghali, acting Egyptian foreign minister said in an interview published today in the semi-official newspaper Al Ahram.**

He said he could not answer a question on whether a treaty would be signed by December 17, the date set in the Camp David accords which laid down the basis for the current peace talks.

But Dr. Ghali said that "if the parties feel it is difficult (to meet the deadline) it is possible that they agree on another date."

Meanwhile in Washington Egyptian Prime Minister Mustapha Khalil has decided to extend his visit for another two days for further talks with Mr. Cyrus Vance, the U.S. Secretary of State.

**Ihsan Hijazi reports from Beirut:** Concern is growing here over plans by the Israeli-backed Christian militias in Southern Lebanon to build a port and an airport in the region under their control.

The subject is expected to be raised at the Cabinet's weekly meeting on Wednesday.

## Large turnout in Venezuela election

By Joseph Mann

CARACAS, Dec. 3.

MILLIONS of voters in this oil-rich South American republic went to the polls today to choose a new president and members of national and state legislatures. Although Venezuela's post-revolutionary history was dominated by dictatorships, the country has freely elected presidents four times since its last military ruler was ousted in 1958. Venezuela stands out as one of a tiny number of true democracies in Latin America.

The winner in today's hotly-contested presidential contest will be one of two men: Deputy Luis Piñerúa Ordaz (57), representing the Accion Democratica (Democratic Action) party now in power, or Senator Luis Herrera Campins (53) standing for the Social Christian Copei party. Although the latest political polls give Sr. Piñerúa a slight edge over his chief rival, the race will be extremely close and a large block of undecided and first-time voters will be an important factor in determining who becomes president. Voters will also pass judgment today on the government of incumbent president Carlos Andrés Pérez, which has spent the sum of \$53bn since the country's oil boom in 1974.

Neither Sr. Piñerúa nor Sr. Herrera has indicated that he would cause major shifts in Venezuela's domestic or foreign policy in the presidency. The current chief executive, 56-year-old Mr. Perez, completes his five-year term next March and is forbidden by law from standing for office for ten years.

Polls opened this morning at 5.30 a.m. and long lines of voters had formed a few hours later. Voting sites all over the country of 13m will officially close at 4 p.m. today, but voters already standing in queues will be allowed to cast their ballots. No definite returns are expected from the Supreme Electoral Council, an independent body running the elections and counting the votes, until Monday.

Troops with sub machine guns have been visible all over the capital in recent days as they carried out 24-hour surveillance of all public schools, which now serve as voting centres. The capital of 3m people, normally noisy and active on weekend evenings, was quiet and virtually deserted last night due to the "dry law" which prohibits all sales of alcoholic beverages until noon on Monday.

Eligible voters number 6.17m and the turnout is expected to be very high. Voting for those 18 years of age and over is obligatory

Sr. Piñerúa has promised to Government. Sr. Piñerúa's push ahead with President Perez's major development projects and has said that he will solve nagging problems such as poor public services, housing shortages, the high cost of living, street crime and Government corruption. Sr. Herrera, a veteran politician like his adversary, has fiercely attacked the official party for waste and mismanagement of the petroleum bonanza.

He and other opposition groups have asserted that the official candidate will only continue the inefficiency of the current Government.

## S. Africa confiscates former information chiefs' passports

BY BERNARD SIMON

JOHANNESBURG, Dec. 3.

THE SOUTH African Government has confiscated the passports of Dr. Eschel Rhoodie, former Permanent Secretary of the disbanded Department of Information, and his brother, Deneys, who was the Department's deputy secretary. Speculation is mounting that the report by a judicial committee of inquiry into the Department's activities will show widespread corruption and misuse of public money.

The report, which was submitted to the Government late last week, will be released to the public on Tuesday and debated by a special session of Parliament starting on Thursday.

Sunday newspapers today quote the chairman of the Commission, Mr. Justice Erasmus as saying that his report contains "startling" disclosures which are "overwhelming" in their significance, and that the police have been asked to help trace millions of rands of taxpayers' money.

Mr. Erasmus said that "as a judge I feel it is my duty to clean up corruption. I don't care who is ruling the country or which party is in power, my job is to clean up the scandal."

Mr. P. W. Botha, the Prime Minister, announced on Friday that the Erasmus Commission's mandate has been extended to next May to enable it to investigate "new facets and areas" of the information scandal which it has uncovered.

The contents of the Erasmus report are expected to widen further the rift in the ruling National Party between supporters of the former Minister of Information, Dr. Connie Mulder and his arch-conservative successor as leader of the Party in the Transvaal, Dr. Andries Treurnicht, and the more moderate faction headed by the Prime Minister, Mr. Pik Botha and the Minister of Foreign Affairs.

There are fears in the Party that the controversy surrounding Dr. Mulder, who resigned from the Cabinet as a result of his role in the Information affair, may reach breaking point this week. The Government's supporting newspaper, Rapport, said today that pro-Mulder cells in the Transvaal are actively trying to drive some Nationalist MPs out of the Party.

## Smith tells whites to stay after black majority rule

BY TONY HAWKINS

SALISBURY, Dec. 3.

MR. IAN SMITH the Rhodesian Prime Ministe tonight appealed to the country's 250,000 whites to stay in the country and make the internal agreement work. In a nationwide radio and TV broadcast on the eve of the visit to Salisbury of Mr. Cledwyn Hughes, the British Prime Minister's personal envoy—the Rhodesian leader defended last week's decision to establish a "national government" for the first five years of majority rule after next April's elections.

Mr. Smith said that "quite obviously" the ceasefire had not worked as had been expected. He gave two reasons for this, saying the Patriotic Front had stepped up its war effort in an attempt to frustrate the agreement and that Britain and the U.S. were continuing to "support the terrorist cause."

It was for these reasons that it had been "unanimously" decided by the transitional government, to establish a national government, Mr. Smith said. He claimed that many benefits would flow from this decision in addition to the major one of "getting on top of the security situation."

Mr. Smith said the proposal to give whites 28 per cent of Cabinet posts in the country's first majority rule government next year was the most momentous decision to have been made since the signing of the March agreement. He denied that it constituted a breach of the agreement which, he said, had precluded whites in parliament—after the majority rule elections—from joining a coalition with a minority party. This was not going to happen next year because the whites would be joining with all the other parties to form a national coalition.

**Michael Holman adds from Lusaka:** Efforts to convene an all-party conference on Rhodesia received the expected rebuff from Patriotic Front co-leader Mr. Joshua Nkomo. After a 90-minute meeting on Saturday with British envoy Mr. Cledwyn Hughes and U.S. Ambassador to Zambia Mr. Stephen Low he declared the Anglo-American settlement plan "out of date" and the conference a "non-starter."

The Zambian Government has made no statement on the envoy's two-hour session with President Kaunda on Saturday night, but it is thought that Mr. Nkomo's blunt rejection carries the President's endorsement.

**Reuter adds from Pretoria:** Mr. Hughes said he would press ahead with his attempt to seek an all-party conference on Rhodesia even though Mr. Nkomo has written off the idea.

Mr. Hughes arrived in Pretoria from Lusaka, and was due to meet South African government leaders tomorrow before going on to Salisbury.

● In Maputo Reuter reports that U.S. Ambassador to the United Nations, Mr. Andrew Young, held separate talks today with President Samora Machel of Mozambique and Mr. Robert Mugabe, co-leader of the Patriotic Front.

No details of the talks were released but it was thought that Mr. Young, who arrived in Maputo today from Tanzania, discussed the situation in Rhodesia with both leaders.

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# WORLD TRADE NEWS

## Japanese companies may win right to base staff in China

BY CHARLES SMITH TOKYO, Dec. 3.

JAPANESE TRADING companies may be alowed to station staff permanently in China instead of on the one- or two-month visas that have been typical up to now, Japan was told in last week's bilateral trade talks in Peking.

The trading companies would apparently be the first group of foreign organisations granted this privilege. The concession may, however, not be as big as it appears since major trading companies already maintain a permanent presence in Peking though staffed with rotating personnel.

The people concerned are quartered in hotel rooms which are permanently reserved by their companies and equipped with telex.

Trading company representatives in Peking have not so far been allowed to employ Chinese staff. If given the chance to do so most companies would like to take on local drivers to free themselves from dependence on Peking taxis. They would also like to hire telex operators in order to relieve highly-paid and overworked Japanese executives.

One major Japanese trading concern has four permanent "berths" for its staff in Peking but reckons as a rule to be able to keep a total of about eight people in China at any one time, by sending "interpreters" to accompany business despatched by manufacturing clients and who may be allowed to remain in the country after their principals have returned.

The trading companies station additional staff in China at the time of the twice yearly Canton fair. Numbers in this case depend on the number of beds in local hotels to which each of the major traders is entitled. One major company which has long standing trading links with the People's Republic has 13 beds at Canton.

## Lufthansa orders Boeing 737s

COLOGNE, Dec. 3.

THE WEST GERMAN airline Lufthansa has ordered 32 Boeing 737 200-pasenger jets worth DM 840m ($400m) from the American manufacturer.

A company spokesman said the short-haul twin-jets from Seattle seat 109 passengers and will be used mainly on European and domestic routes.

He said five of the aircraft will be delivered during the second half of 1980. The remainder will arrive at the rate of two a month from 1982 onward, he said.

Lufthansa was the first European airline to fly the regular, 90-seat version of the 737. One of them reached unwanted publicity when it was hijacked to Mogadishu, Somalia, in the wake of the kidnapping of industrialist Dr. Hanns-Martin Schleyer in October 1977.

Final details of the contract will be settled next spring. Lufthansa plans to use the aircraft to renew its existing short-haul fleet of 28 Boeing 737 aircraft and to strengthen its German and European route networks. The purchase will be financed partly by the sale of the 737s, it added.

Agencies

## Laid-up tonnage fall reflects improvement in shipping market

By Lynton McLain

THE TONNAGE of oil tankers and combination carriers laid-up last week fell to its lowest level this year, at 25.5m deadweight tons.

Howard Houlder (Chartering) said the figure marked a fall from the November 1 total of 36.1m dwt and 26.3m dwt at January 1. It reflected the slow improvement in the oil tanker chartering market since the summer.

The peak of oil tanker and combination carrier tonnage laid-up this year was set in August when 53m dwt tons was idle or being repaired.

Demolition sales of tankers and combination ships in November totalled 613,509 dwt, comprising 17 vessels with an average age of over 18 years.

The total tonnage of oil tankers scrapped in the first 11 months of the year was almost 14m dwt. This comprised over 290 vessels with an average age of 16 years and marked a rise from the 1977 total of under 10m dwt.

On world tanker markets, activity was limited in the last 10 days. The U.S. Thanksgiving celebrations and some delays in December allocations were the main factors. One very large crude carrier, however, was fixed at Worldscale 62.5 for a voyage from the Gulf to the West.

Delays were still being experienced at Kharg Island, Iran, where a backlog of tankers had built up since last month's civil disturbances and the strike of oil workers. A total of 10m dwt of tanker capacity was waiting last week to lift 5m tons of crude.

Inquiries from the West Africa and Mediterranean sectors were in short supply, but the Caribbean market was buoyant last week with rates up for most sizes of tanker.

The London Tanker Brokers' Panel reported its monthly average freight rate assessements for the four weeks from October 16. General purpose tankers averaged Worldscale 173.3, medium range vessels, 143.6, large range vessels between 64.2 and 91.8 and VLCC's were rated at Worldscale 47.

On the dry cargo markets there was still a large volume of unfixed business on the Atlantic, but with Japanese steel companies planning a cut back in iron ore imports next year, the market is expected to fall.

## LISNAVE SHIPREPAIRERS

# Portugal's troubled giant

LOOKING FROM the vantage point of one of Lisbon's seven hills across the tramways, and cobblestones, and endless tiny streets, one can catch a glimpse of something suggesting another dimension altogether: Lisnave Portugal's huge shiprepairing plant, where giant tankers come and go, dwarfing the Tagus and the city.

Ever since the plant was built in the riverside suburb of Mageira just over ten years ago, management at Lisnave has tended to "think big," despite being part of a country that has the lowest industrial output in Europe.

Only recently, in the midst of one of Portugal's interminable Government crises, Lisnave announced that it had won an order from the Saudi Arabian Government worth over $200m—for the general design, planning, and management of a new ship-repairing plant to be built at Jeddah.

However, the optimism of the early days has been dampened in recent years. Lisnave was conceived at a time of oil boom and the rise in oil prices in 1973 and the drastic effects it had on ship building and shiprepairing had its repercussions in Portugal.

The country's particular political circumstances only added to Lisnave's difficulties. Following the Leftist military coup in April, 1974, workers at the plant became a focus of radical militancy. Their target was José Manuel de Mello, one of the better known business tycoons during the days of the dictatorship who also happened to be on the Board of Lisnave.

Yet the company is perhaps one of the few real survivors of the revolution. Despite worker antipathy against De Mello, he is chairman of the Board, and the company has survived the threat of nationalisation.

Today management at Lisnave has taken to reassessing the company's future, given the changing circumstances both at home and abroad. In a sense the oil crisis and the consequent slump has forced a look away from traditional markets and towards new ones. In the early 1970s most of Lisnave's trade was centred on Scandinavia, and in particular Norway. Its market orientation is now shifting towards the Far and Middle East.

So far it has been fairly successful. The Jeddah contract is similar to that won by Lisnave four years ago from the Saudi Government, concerning the Arab Shiprepairing and Repair Yard Company's docks in Bahrain.

Back in Mageira one finds a hive of activity and docks filled to capacity. Orders last year increased by 30 per cent and management is predicting that the trend will continue. Yet the enthusiasm is slightly tempered. Lisnave's tragic irony is that despite being fully occupied, it is losing money, and at a considerable rate.

A senior manager at Lisnave recently predicted that the company be much deeper in the red by the end of this year than the deficit of 241m escudos (about £27m) it experienced in 1977. realistically, management acknowledges that 1,500 out of the present workforce of 10,000 would need to go to make the company more profitable.

Yet the company, like others in Portugal is hamstrung by present labour laws which make it almost impossible to dismiss anyone. It is also argued that given the country's present unemployment rate of 15 per cent, mass redundancies would be far too much of a social and political risk.

Lisnave is also facing difficulties in obtaining credit. At a time when the IMF has imposed an overall credit squeeze, Portuguese banks are showing themselves reluctant to come forward with the necessary cash. The company, like many others in Portugal, has been compelled to borrow from abroad.

The devaluation in the escudo, 6 per cent last June and 1.5 per cent monthly ever since gave the company short-lived joy. Lisnave like many Portuguese companies had been adversely affected by the fall in the value of the dollar. "It has virtually eradicated the beneficial effects of the escudo's devaluation," one of Lisnave's managers said. Yet despite the gloom there still remains an element of optimism.

Lisnave presently contributes to some 5 per cent of the country's total export earnings and as such has a crucial role to play in righting the country's weak balance of payments position.

Perhaps the best measure of this is the company's recent $5m investment in new dock equipment, including automatic blasting machines and a new platform designed to make work at the yard more efficient.

There is planned investment of some $13m and a new cleaning dock on the mainland which would take over from Lisnave's three floating docks. The new dock, when completed around 1981 will be able to clean vessels at a rate of 300 tons per hour compared to the current rate of 100 tons per hour.

Until now management at Lisnave has insisted that until the company is subsidised by the Government its financial future will continue to be restricted. The fact that one of Lisnave's leading managers, has been appointed as the new Minister for Industry could point towards an imminent shot in the arm.

## Heath urges Arabs to invest in Europe

MR. EDWARD HEATH called at the week-end for the oil-rich Middle East countries to invest some of their money in the Common Market.

The former Tory prime minister said that this would make economic sense for the OPEC countries and at the same time provide funds for EEC member countries to regenerate industry and change their agriculture policy to meet future needs.

Mr. Heath, speaking in Perth during a Scottish Conservative Party seminar on the European direct elections, said that much of the OPEC revenues were not being spent in Europe, but in the developing countries—and $40bn a year was not being spent at all.

## S. African cement exports soar

BY BERNARD SIMON JOHANNESBURG, Dec. 3.

SOUTH AFRICA'S cement exports reached a record of 950,000 tons valued at R52m in the year to June, 1978, compared to just over 340,000 tons the previous year, according to the South African Cement Producers Association's latest annual report.

The association says that foreign sales are likely to be maintained at about the same level in the current year. Rail and harbour limitations make it difficult to increase export tonnages further.

The main markets for South African cement are Middle East countries (including some which claim to boycott South African products) and the Indian Ocean islands.

"South Africa has established itself as a good supplier, and with a world shortage looming, we are now receiving a steady stream of inquiries for exports," the cement industry's export spokesman, Mr. Ken Wood, said recently.

The export drive has been helped by generous government rebates on rail traffic since most of the country's cement factories are far from the main ports. Producers say, however, that South African cement which is of high quality, commands a premium on foreign markets.

Thanks to exports, which currently account for about one-eighth of the industry's production capacity, cement factories are on average operating at just over 70 per cent of capacity.

● South Africa is to supply Belgian power stations with 2,000 tunnes of uranium under a $166m contract over 11 years, a spokesman for the buyers said in Brussels, Reuter reports.

He said the deal, between South Africa's Harmony Gold Mining Company and Belgium's Synatom grouping of power companies, would start from 1980.

But the spokesman denied Belgian Press and radio reports that the deal was jeopardised because the Belgian state-sponsored export guarantee department had not yet guaranteed a loan to Harmony which forms part of the agreement.

He said that even if the loan was not guaranteed the purchase would go ahead.

## New order for Denmark

BY HILARY BARNES COPENHAGEN, Dec. 3.

THE A. P. MOELLER shipping group of Denmark is prepared to place an order for four specialised vessels with its subsidiary company, the Odense shipyard at Lindoe, if it can obtain favourable financing terms in negotiations with the Government.

Mr. Erik Quistgaard, Lindoe's managing director, said the management and shop stewards yesterday signed an agreement laying down the number of work hours per ship. The agreement was a pre-condition for obtaining the order.

He declined to say what type of vessels are involved, but they are understood to be 30,000 dwt container vessels of a new design. The Ship Credit Institute finances up to 80 per cent of vessels ordered at Danish yards over 10 years at 8 per cent.

It is expected that the Volketing finance committee will decide next whether to approve better terms for this order. So far the Danish Government has avoided giving subsidies to the shipyards outside the framework of OECD and EEC agreements.

## Fluidrive in $1.25m contract

FLUIDRIVE ENGINEERING, which recently joined the AE Group, has won a contract worth $1.25m to supply over 100 fluid couplings for a major alumina process plant in Venezuela, following an order earlier in the year from northern Australia for a similar plant.

The site at Ciudad Guayana (Puerto Ordaz) on the Orinoco River has a conservatively estimated deposit of 500m tonnes of 48.8 per cent alumina. The construction and operation of the plant will be undertaken by Interamericana De Alumina, Ca (Interalumina).

"The award of this contract proves British companies can take on the best of international competition in world markets and win," said Mr. Richard Miles, managing director of Fluidrive.

## Chrysler in Taiwan deal

TAIPEI, Dec. 3.

TAIWAN has selected the Chrysler Corporation as its partner for a $70m joint venture to produce heavy-duty trucks, officals said.

They said Chrysler was chosen over Ford Motor and General Motors, which had also submitted joint production proposals. The terms offered by Chrysler are better suited to meeting Taiwan's goal of building up its own vehicle manufacturing industry, they said.

According to the current plan, Chrysler will hold 35 per cent of the shares of the new joint venture. The State-owned Taiwan Machinery Manufacturing will control 45 per cent of the shares while the remaining 20 per cent will be offered to the private sector.

A formal letter of intent has been sent to Chrysler, they said, and a contract is expected within the next few months. The officials also have notified Ford and GM that they have been listed as the second and the third preferences, respectively, should Taiwan fail to complete the agreement with Chrysler.

The plan calls for an initial production of 10,000 trucks a year beginning in 1990. A $130m second stage is expected to begin by 1991 to raise the local content to more than 60 per cent from the 30 per cent of the initial stages.

AP-DJ

## World Economic Indicators

TRADE STATISTICS

| | | | | | |
|---|---|---|---|---|---|
| | | Oct. '78 | Sept. '78 | Aug. '78 | Oct. '77 |
| UK £bn | Exports | 3.120 | 3.057 | 3.027 | 2.771 |
| | Imports | 3.001 | 3.272 | 2.959 | 2.725 |
| | Balance | +0.119 | −0.215 | +0.143 | +0.046 |
| W. Germany DMbn | Exports | 26.670 | 24.828 | 21.943 | 24.735 |
| | Imports | 21.858 | 20.098 | 18.823 | 19.927 |
| | Balance | +4.812 | +4.730 | +3.120 | +4.808 |
| Japan $bn | Exports | 8.516 | 8.906 | 8.070 | 7.028 |
| | Imports | 6.981 | 6.813 | 6.820 | 5.813 |
| | Balance | +1.535 | +2.093 | +1.250 | +1.215 |
| France FFr bn | Exports | 31.484 | 30.881 | 28.690 | 28.038 |
| | Imports | 30.763 | 29.578 | 29.751 | 27.911 |
| | Balance | +0.721 | +1.303 | −1.061 | +0.127 |
| U.S. $bn | Exports | 13.010 | 13.400 | 12.470 | 9.190 |
| | Imports | 15.140 | 15.100 | 14.090 | 12.288 |
| | Balance | −2.130 | −1.700 | −1.620 | −3.098 |
| | | Sept. '78 | Aug. '78 | July '78 | Sept. '77 |
| Italy Lira bn | Exports | 3.682 | 3.205 | 3.772 | 3.136 |
| | Imports | 3.753 | 2.862 | 4.149 | 3.348 |
| | Balance | −0.071 | +0.343 | −0.377 | −0.212 |
| Holland Fls bn | Exports | 9.407 | 8.226 | 7.986 | 8.976 |
| | Imports | 9.653 | 9.102 | 8.829 | 9.301 |
| | Balance | −0.246 | −0.876 | −0.843 | −0.325 |
| | | Aug. '78 | July '78 | June '78 | Aug. '77 |
| Belgium BFr bn | Exports | 117.051 | 105.254 | 123.580 | 85.438 |
| | Imports | 134.828 | 106.610 | 131.040 | 113.060 |
| | Balance | −16.977 | −1.356 | −7.460 | −27.622 |

# Businessman's Diary

## UK TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|---|---|---|
| Current ............ | Royal Smithfield Show and Agricultural Machinery Exhibition (until Dec. 8) (01-235 7000) | Earls Court |
| Current ............ | Design Engineering Conference and Exhibition (until Dec. 8) (01-995-4806) | National Exhibition Centre Birmingham |
| Current ............ | Bristol Engineering and Industrial Equipment Exhibition (until Dec. 8) (Oxted 4371) | Bristol Exhibition Centre |
| Dec. 5—7......... | UK Automatic Testing Exhibition (Buckingham 5226) | Royal Horticultural Halls |
| Dec. 5—7......... | COMPEC '78 (Computer Peripherals) (01-261 8000) | Olympia |
| Dec. 5—8......... | Export Services Exhibition (021-6431914) | National Exbn Centre Birmingham |
| Dec. 5—8......... | Container Technology Conference and Cargo Systems Exhibition (01-949 3391) | Metropole Centre, Brighton |
| Dec. 9—17 ........ | Performance Car Show (01-686 7181) | Alexandra Palace, N22 |
| Dec. 12—14......... | Exhibition and Display System Fair—MODULEX (Egham 6255) | West Centre Hotel, SW6 |
| Dec. 27—Jan. 7 1979 | Boys and Girls' Exbn. (021-643 9281) | Bingley Hall, Birmingham |
| Jan. 3—14 ...... | London International Boat Show (Weybridge 54511) | Earls Court |
| Jan. 4—13 ..... | Model Engineer Exbn. (Hemel Hempstead 63841) | Wembley Conf Centre |

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

| | | |
|---|---|---|
| Current ............ | International Woodworking Exhibition (until Dec. 10) | Brussels |
| Dec. 5—9......... | Combustion and Heat Treatment Equipment Exhibition (01-734 2851) | Tokyo |
| Dec. 5—9 ........ | International Environment Exhibition—POLLUTEC (01-486 1951) | Paris |
| Dec. 12—15......... | Amusement, Leisure and Fairground Equip. Exbn. FORAINEXPO/AMUSEXPO (01-486 1951) | Paris |
| Jan. 8—11, 1979 | Hotel and Restaurant Industry Fair—HORECAVA (01-228 2880) | Amsterdam |
| Jan. 10—14 ...... | Home Furnishing Textile Fair (01-734 0543) | Frankfurt |
| Jan. 18—21 ...... | Int. Trade Fair, Motor Workshop and Gasoline Station Equipment—AUTO-ZUM | Salsburg |

## BUSINESS AND MANAGEMENT CONFERENCES

| | | |
|---|---|---|
| Dec. 5 ............. | BTA/ETB: Tourism Growth and London Accommodation (01-629 9191) | Cavendish Conference Centre, W1 |
| Dec. 5 ............. | IPS: Counter Purchase—Why? (Ascot 23711) | Grosvenor House Hotel, W1 |
| Dec. 5 ............. | CMTC: Safety Representatives and Safety Committees Regulations (Leamington Spa 36621) | Avonside Hotel, Kenilworth |
| Dec. 5 ............. | BSI: Electrical Equipment Conference (01-629 9000) | Wembley Conference Centre |
| Dec. 5—6 ........ | ASM: *Improving Stock Control (01-385 1992)* | Cafe Royal, W1 |
| Dec. 5—7......... | IPM: Job Evaluation (01-387 2844) | Whites Hotel, W2 |
| Dec. 6—8......... | Frank Jefkins: PR for Marketing Management (01-657 2911) | Connaught Rooms, WC2 |
| Dec. 7—8......... | FT Conference: Nordic Banking and Finance (01-236 4382) | Oslo |
| Dec. 8 ............. | CCC: Financial Incentives for Business (01-222 6362) | Royal Lancaster Hotel, W2 |
| Dec. 10—12......... | IMRA: Conducting Cost-Effective Research in Europe and Developing Countries (Lichfield 23448) | Whately Hall Hotel, Banbury |
| Dec. 10—15......... | Bradford University: Forecasting for Technological Planning (Bradford 42299) | Management Ctre, Bradford |
| Dec. 11—12......... | School of Business and Admin: International Tendering (Ashford 22101) | London Penta Hotel, SW7 |
| Dec. 11—15 ........ | Cambridge Univsty/Cargill Attwood: Manager Development Seminar (01-567 4745) | Madingley Hall, Cambridge |
| Dec. 12 ............ | AGB: Graduate Selection Techniques (01-353 3651) | Education Institute, Bedford Way, WC1 |
| Dec. 12 ............ | Abacus: Risk Reduction—Understanding Business Contracts (Bourne 4471) | Kensington Palace Hotel, W8 |
| Dec. 12—14......... | IPM: Employment Law—for management Advisers (01-387 2844) | Clive Hotel, NW3 |
| Dec. 13 ............ | ESC: Company Law and the City (Uppingham 2711) | Kensington Palace Hotel, W8 |
| Dec. 13—14......... | Institute of Marine Engineers: Safety at Sea—Internatl symposium (Redhill 68811) | Mark Lane, EC3 |
| Dec. 14 ............ | CALUS: A Current Review of the Taxation of Property (Reading 861101) | Mount Royal Hotel, W1 |
| Dec. 14—15 ....... | FT Conference: Inflation Accounting—the Planned Standard (01-236 4382) | London Hilton, W1 |
| Dec. 15 ............ | Economic Models: Medium-term International Forecasts (01-839 2851) | 30, Old Queen St, SW1 |
| Dec. 15 ............ | Legal Studies and Services/OyezIBC: Medicine and the Law (01-242 2481) | Carlton Tower Hotel, SW1 |
| Dec. 18—19......... | BIOSS: What is Organisation Development? (Uxbridge 56461) | Brunel University, Uxbridge |
| Dec. 19—20......... | LAMSAC: Project Co-ordination (Basic) Seminar (01-828 2333) | London Graduate School of Business Studies, NW1 |

# HOME NEWS

## Makers attack French fork lift truck rules

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE MATERIALS handling exhibition, which opens in Paris today, will attract particular attention after the coming into force on Saturday of new safety standards on fork lift trucks entering France.

The standards are widely regarded in the industry as having been introduced more for commercial than safety reasons, and have been opposed by European manufacturers generally.

The French market is of considerable importance for British industrial truck manufacturers. It takes about 10 per cent of the industry's £200m export total at a time when exports are a vital means to keeping up levels of activity in the industry.

The concern with which the industry received news of the standards was conveyed to the French Government and the European Commission by British industry representatives and the Federation of European Manufacturers.

But the French have stuck to their decision in spite of the fact that an EEC directive on fork lift truck regulations has just been drawn up and is expected to be implemented within the next two to three years.

Mr. John Mallarkey, engineering director at Hyster Equipment, who has taken part in the preparation of the directive, said: "It makes no sense that any country which participated in this directive, as the French did, should introduce emergency regulations which have no sound basis in safety terms."

The two most important changes which the French have introduced concern the need to have a hand lever as well as a foot pedal for directing the truck, which for some designs represents a costly and complex change, and the requirement that the fuel tank must be removable.

Mr. Trevor Bowman-Shaw, vice-chairman of Lancer Boss, said the changes would add hundreds of pounds to the cost of an industrial truck. Manufacturers had to face the problem of either absorbing the cost or putting up their prices and becoming uncompetitive.

Lansing Bagnall, one of Britain's biggest manufacturers, said: "We have not yet made the changes. Everybody is waiting to see what other companies are doing."

The French fork lift truck industry is more specialised than either the German or British, being particularly strong in rough terrain trucks.

Some British manufacturers are puzzled by the French Government's move as they do not believe the French industry has the manufacturing capability to replace the imported trucks. Exports of French trucks to Britain are roughly equal to the value of those imported from Britain.

## Inflation rate 'may stay under 8% despite wage rises'

BY MICHAEL BLANDEN

THE RATE of inflation in the UK could be held at about its present level of 7 to 8 per cent for a year, in spite of the upward pressures of wage demands, Mr. Tim Congdon says in his latest review for stockbrokers L. Messel.

He says that the pessimism about prices expressed by most economists, who expect the 15 per cent growth in pay over the past year to work through to prices next year, is not justified.

The basic reason for the better outlook was the high level of interest rates after the increase in the minimum lending rate to 12½ per cent on November 9.

This should dampen down domestic credit expansion and the growth of the money supply, with two results: a renewed tightening of the liquidity constraints throughout the economy and a firm pound on the foreign exchange markets.

As a result, inflationary pressures should weaken.

### Money supply

The National Westminster Bank's economic adviser, Dr. David Lomax, says today that the monetary target of 8-12 per cent growth in the wider definition of the money stock during the coming year is broadly consistent with the containment of inflation.

However, the authorities had to contend with the bulge in the growth of the money supply which took place before the re-imposition of the official corset controls on banks in June.

The main threat to the UK financial markets would come in the near future from any further rises in the level of U.S. interest rates, particularly if they were associated with a return of confidence in the dollar.

There could be a massive turnround in exchange markets in favour of the U.S. currency, leading to a tightening of financial conditions in Europe.

### Employment

In a third comment the Midland Bank Review out today says that the fundamental issues faced by the UK are not the single ones of inflation or growth, but are dual—how to defuse inflationary expectations without serious damage to real economic activity, and how to stimulate employment without creating inflationary expectations which may undermine the intended effect.

"It is dangerous to have to rely upon the ultimate deterrent in the shape of a money supply limit, unsupported by conventional weapons such as incomes policy."

To adopt this approach would require much greater progress than had yet been achieved in bridging the "perception gap" between the published limit on the money supply and the attitudes of collective bargainers.

This accounted for the Government's tenacity in seeking to prolong the incomes policy.

## State schools 'must be more varied'

THE Government will be warned this week that private *schools will become more* popular unless it introduces more variety into comprehensive schools.

Lord Young of Darlington, chairman of the Mutual Aid Centre, is to suggest at an education conference in London on Saturday that schools concentrating on religion or basic skills would bring more variety to State schools.

Other alternatives could include language and arts schools, and schools to prepare children for jobs.

There could also be free schools with no more than 300 pupils, who would be encouraged to make their own decisions, set their own goals, and express themselves.

The new schools could be run *by co-operatives of parents and* teachers.

Lord Young, an educationist and formerly Mr. Michael Young, will put forward his views at the Advisory Centre for Education conference on "State-Supported Alternatives in School Age Education."

He believes that today's comprehensives offer a wide range of choice, but only within their own walls. There is no choice between schools.

"You can choose between zoology and history as subjects. You cannot choose a small secondary school with a smaller range of subjects, because in many places, there are not many small schools left."

## Christmas costs up, Tory says

By Our Lobby Staff

MRS. SALLY OPPENHEIM, Shadow Prices Secretary, yesterday launched what has become her regular seasonal attack on the rising cost of Christmas, linking her criticism to the falling value of the pensioners' £10 Christmas bonus.

She said it was worth half its value when the Conservatives paid it out in 1973. To maintain its purchasing power, it would now have to be more than £20.

Mrs. Oppenheim produced a list showing that pensioners would have to forgo buying many items that they could have afforded at Christmas, 1973.

## Civil liberties council wants race safeguard

THE National Council for Civil Liberties is to oppose a question on racial origin in the 1981 Census unless satisfactory safeguards are forthcoming.

It says there must be no criminal sanctions for failure to identify one's ethnic origin, and stringent safeguards must be followed to ensure confidentiality.

## Fishermen demand exclusive areas

SMACKSMEN from all over Britain yesterday thrashed out a two-point charter they say would save our fish supplies.

The men, who met at Grimsby this weekend, want an immediate exclusive 12-mile zone for themselves round Britain's coastline. They are also demanding exclusive areas within 50 miles where smacks could take as much as they want, but foreign trawlers were limited.

And today, Mr. James Callaghan, the Prime Minister, is to receive a telegram telling the Government to stand firm in EEC negotiations in Brussels.

The smacksmen's union, the newly-formed National Federation of Fishermens' Organisation of Fishermen's Organisation Government is talking about a 12-mile limit in four years. We think irreparable damage would be done to our industry by waiting."

The future of Britain's cod and haddock supplies lies in the hands of the tiny smacks, which sail with only 3 or 4 fishermen, now that trawlers have been barred from Iceland and other deep-water grounds.

## Open for queries

TRAVELLERS passing through through Gatwick Airport will be able to obtain information and advice from the airport's first Tourist Information Centre, which opens tomorrow morning.

## Action needed 'to avert rural areas poverty'

BY PAUL TAYLOR

RURAL AREAS will face increasing unemployment and deepening poverty within five years unless Government social priorities are drastically revised, the Child Poverty Action Group says.

In a report published today it calls on the Government to begin a two-phase action plan, starting with investment in rural jobs and transport.

In common with other recent reports on the mounting need for action on rural deprivation, the 119-page report, Rural Poverty, says that in recent years too much emphasis has been placed on inner-city needs at the expense of rural areas.

However, unlike other reports, in particular that by the Association of District Councils, the group urges that resources should be diverted from the inner cities to the rural areas.

Rural areas, the group says, must meet special expenses, particularly for transport, which when coupled to inadequate health services often "tip the balance and consign a family to poverty."

In many rural areas, unemployment is half the national average again, and, the report says, will increase unless policy is changed in the next five years.

The group rejects "the myth of self-supporting rural communities" in that the rural poor are geographically and socially isolated.

Mr. Alan Walker, a Sheffield University lecturer and editor of the report, said that since the war "we have been concerned too much with the problems of inner-city areas to the detriment of rural areas."

Rural poverty could not be separated from urban poverty, but a new approach was required to ensure equal access to social activities and public services.

## Consumers seek EEC support

By David Churchill, Consumer Affairs Correspondent

EUROPEAN consumer groups are making a bid for their interests to be given greater priority in EEC affairs.

A letter sent today to Herr Helmut Schmidt, the West German Chancellor, by the European Bureau of Consumer Unions, calls on the European heads of government to hold top-level talks on seeking Europe-wide policies of real benefit to consumers.

The consumer groups' plea comes only four months before the end of the EEC's four-year preliminary policy programme for consumer protection. The bureau says that only a few directives of any significance have come out of the programme and many "are so full of compromises that the consumer interest is far from being met."

It also urges the Heads of Government, who are meeting in Brussels today, to consider the consumer view during talks on agriculture and trade. Specifically, it wants the EEC to encourage free trade and not deny consumers the right to buy cheaper products such as Japanese cars and clothes and footwear from countries outside the EEC.

It also believes that artificial protection should not be given to uncompetitive producers within the EEC.

On the agricultural front, the bureau calls for a freeze on the prices farmers get for products such as butter, sugar and cereals, which are already in surplus.

# Cutlery advertising brings protest by British makers

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE FEDERATION of British Cutlery Manufacturers has protested to Mr. Roy Hattersley, Secretary for Prices and Consumer Protection, about heavy advertising of foreign cutlery products in the British trade and consumer Press.

It has written asking for a meeting to point out examples of manufacturers and importers "freely advertising table cutlery or similar products as though they were British."

"By using typically English names and talking about heritage, craftsmanship, guarantees, etcetera, they plant a strong suggestion in the consumer mind that their products are British."

Mr. A. Price, federation president, reminds Mr. Hattersley that he had previously been told about the practice of table cutlery being made in the Far East, plated in Sheffield and so described as having been made in Sheffield.

"At that time to the best of my knowledge only one company, Viners, were doing this. Inevitably, because it is cheaper and far more profitable than employing British labour, others have followed."

The federation hopes to launch a campaign to draw the consumer's attention to the fact that not all cutlery adverisements are promoting British-made products.

# Scottish companies head UK exports

SCOTLAND'S top 20 companies are Britain's leading exporters, in terms of exports measured against turnover, according to a survey published yesterday.

The 20 quoted Scottish companies exported an average 12.5 per cent of turnover in the past two years, compared with 9 per cent for quoted companies in Britain overall, says the third edition of Scotland's Top 500 Companies, 1978, published by Jordan Surveys.

The 94-page survey finds the pattern repeated among Scotland's top 20 private companies, which exported 10.4 per cent of turnover, against 8 per cent for Britain's 20 private companies overall.

But the biggest divergence is between foreign-owned companies in Scotland and those with foreign ownership in Britain as a whole: Scotland's top 10 foreign-owned firms made nearly half their sales abroad, compared with a relatively modest 19 per cent for a sample of the top foreign-owned companies in Britain listed in Jordan's sister survey Britain's Top Foreign-Owned Firms, 1978.

The survey ranks Scotland's top companies in descending order of turnover: the largest public company remains Distillers Company, with turnover of £878m last year. Distillers also ranked top in terms of pre-tax profit, recording some £162m. The largest private company was Christian Salvesen, with turnover of £103m.

A Distillers subsidiary, the whisky exporters Macdonald Greenlees, had the best return on tangible capital with 1,368 per cent.

The survey, with a variety of information on all types of industrial companies registered in Edinburgh, shows that the top 10 public companies accounted for total pre-tax profits of £388m, against £52m for the top 10 foreign-owned companies, £30m for the top 10 private companies and £17m for the the 10 leading subsidiaries of English registered concerns.

But the foreign-owned companies were again the leaders on average profit margins, showing 9.65 per cent compared with 8.61 per cent for the 10 leading public companies and 7.64 per cent for leading private companies.

Leading subsidiaries of English-registered companies were far behind, with only 1.96 per cent.

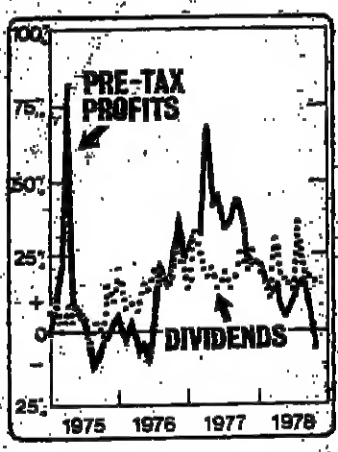
With the exception of the English-owned subsidiaries, these margins are generally ahead of Jordan's findings for companies in the UK overall. For example, its survey of Britain's top 20 private companies finds an average profit margin of 5.1 per cent.

Foreign-owned companies were also found to be the leaders in remuneration to employees: the top ten paid an average of £3,909 to its employees last year, compared with £3,376 by the top ten private companies, £2,950 by English subsidiaries and £2,718 by the top public companies.

*Scotland's Top 500 Companies, 1978; £12.50; Jordan Surveys, Jordan House, Brunswick Place, London, N1 6EE.*

# November profits down 5.7%

Financial Times Reporter




INCOMING REPORTS and accounts from industrial companies in November showed a fall on the comparable figures a year ago for the first time for nearly two and a half years.

Having shown average monthly gains of nearly 14 per cent in the third quarter of the year and a near 6 per cent increase in October, the reports, from 73 companies, showed a decrease of 5.7 per cent in taxable profits. This is the first profits setback in a full-month's report since June 1976.

This marked reversal in the profits pattern was chiefly attributable to the near 60 per cent drop in EMI's pre-tax earnings. Other big companies reporting profit falls were Brooke Bond, down 16.4 per cent, and Lucas, down 7.3 per cent.

Great Universal Stores stood out among the large groups with a profits rise of 14.1 per cent.

Overall dividend costs continued to rise, though the increase on the previous year was the smallest so far this year, with the exception of the 11 per cent rise in March.

At 15.1 per cent the increased dividend payments in last month's reports compared with the third-quarter monthly average rise of nearly 24 per cent.

Great Universal Stores raised the dividend by 12.3 per cent, and despite the downturn in profits Brooke Bond's dividend per share showed a similar increase.

# Low Pay Unit repeats special price index call

BY OUR INDUSTRIAL STAFF

A RENEWED call for publication of a separate retail prices index to reflect the impact of inflation on low-paid workers comes today from the Low Pay Unit.

The unit says in a letter to Mr. Harold Walker, Employment Minister, that the existing index "might be viewed by the public as a deliberate attempt to mislead them over the true rate of price increases."

A report by the organisation says that the official rate of price increases in recent years has been moderated by slower inflation in such non-essential items as motoring, alcohol and eating out.

Since January 1974, inflation affecting low paid families spending most of their money on the essentials of food, heating and rent had been 3.8 per cent more than the Government's figure.

Prices since then had generally doubled, but food prices had risen by 107 per cent., fuel by 129 per cent. and electricity by 165 per cent.

The "typical family" used in calculating the Government's index was assumed to spend more on motoring than on housing and more on drink than on fuel and light.

The unit calls on the Minister to review the price index system, in accordance with a recommendation for periodic reviews made 10 years ago by the Cost of Living Advisory Committee.

# Coco Chanel belongings sold for £68,655

THE PERSONAL wardrobe and jewellery of Coco Chanel, the famous couturier, was sold at Christie's at the weekend for £68,655. The sale consisted of 42 items of her famous costume jewellery and 75 suits, dresses and accessories.

The jewellery fetched a total of £21,420, many being bought by the London dealer Robin Symes on behalf of a Geneva jeweller, Xoilan SA. He paid £1,000 for Mme. Chanel's favourite brooch of simulated emeralds. A similar brooch fetched £1,600.

The Oslo Museum paid the top sale price of £2,400 for a beige tweed suit. A suit of brown velvet was bought by the Jupiter Corporation of San Francisco for £1,800, while the "little black dress" was bought by the Baroness David Rothschild for £1,500.

# Oxygen breakthrough may aid hospitals

BY SUE CAMERON, CHEMICALS CORRESPONDENT

BRITISH RESEARCH chemists have discovered a new method of separating oxygen from air. It might eventually enable hospitals and small engineering concerns to produce their own oxygen on tap.

The discovery, based on compounds produced from reacting manganese salts with phosphorous, has been made by a team of chemists at the University of Manchester Institute of Science and Technology.

The team has been given financial support from the National Research Development Corporation, which is negotiating a licensing agreement with British Oxygen for the discovery.

The new technique saves energy and does not require a large plant. It is therefore likely to be particularly useful in more remote areas, where the transport of oxygen produced on a large, commercial scale is difficult, and in concerns, such as hospitals or engineering companies, which require their own assured supply of oxygen.

The National Research Development Corporation said at the weekend that the discovery was still being tested. Further development work would be needed before a commercial process was established.

The new method simulates the way in which haemoglobin carries oxygen round the body.

# Councils spread borrowing

BY PAUL TAYLOR

LOCAL AUTHORITIES appear to be succeeding in attempts to spread the effects of their borrowing requirements over longer periods.

Confirmation of the success of councils in lengthening the maturity structure of their debts comes in figures published by the Chartered Institute of Public Finance and Accountancy.

The Institute's Return of Outstanding Debt on March 31, 1978, is the first published since the introduction of the voluntary code of practice for the regulation of local authority borrowing. This was approved and recommended by local authority associations.

Most noticeable is the reduction, from 28.2 per cent last year, to 21.4 per cent in the proportion of the total long term debt maturing within one year, and the increase in the proportions falling due in the fourth and fifth years.

The Institute said that this represented "a creditable achievement" by the local authorities, bearing in mind that the code was published only nine months before the collection date for the statistics. It "clearly demonstrates the local authorities' support for its aims."

The figures also show that local authorities have reduced the proportion of external temporary debt held, and have turned instead to internally generated sources of funds.

The report contains a detailed analysis of debt outstanding on major services, debt maturity structure and the types of loans held by almost every local authority in England, Wales and Scotland.

It shows that on March 31, the total net outstanding debt of local authorities was slightly over £33.1bn, equivalent to £579 per person in Britain, and an increase of 7.7 per cent over last year.

*Return of Outstanding Debt at March 31, 1978, CIPFA, £5.*

# Sanctions vote rebels under pressure

By Elinor Goodman, Lobby Staff

LABOUR backbenchers will come under intense pressure this week to support the Government in Thursday's vote on pay sanctions.

Both the Liberals and the Scottish Nationalists are threatening to vote with the Tories, so to have a reasonable chance of winning, the Government must command the almost total support of its own backbenchers.

Although the vote will not be regarded as one of confidence, the Government would be acutely embarrassed by a defeat, which would pose an even larger moral question mark over the continued use of sanctions.

As yet, Ministers are not prepared to countenance a defeat and for this reason have not discussed whether they would continue using sanctions if they were rejected by the Commons.

For the moment, the emphasis is on twisting the arm of Labour backbenchers in an attempt to persuade them to fall in line. Last week the signs were that perhaps half a dozen Labour MPs were considering abstaining.

All the signs are that the vote will be a cliffhanger, with both the potential Labour rebels and the minority parties playing their cards close to their chests as a means of maximising the Government's discomfiture over sanctions.

# Tories approach minority parties before election

BY OUR LOBBY STAFF

SENIOR TORIES are putting out feelers to see if they can improve the party's relations with the minority parties. This reflects a growing belief that there may well be another hung Parliament after the General Election and that it is better to develop informal contacts with the other parties now than wait until after the result is declared.

Among those taking the initiative is Mr. Norman St. John-Stevas, the new Shadow Leader of the House, who is believed to feel it essential that the rift between Mrs. Thatcher and Mr. David Steel, the Liberal Leader, be healed.

In the past she has made it only too clear that she does not take Mr. Steel very seriously as a politician. Mr. Steel, for his part, has not hidden his lack of sympathy for Mrs. Thatcher's brand of Conversatism.

Last week, however, the Liberals indicated that they would be prepared to support the Conservatives in this week's vote on pay sanctions.

This was interpreted by some Tories as a sign that the Liberals are less hostile to them than before, though not to the extent that they would precipitate an early election.

Mr. St. John-Stevas apparently regards improving the party's relations with the minority parties as one of his responsibilities in his role as Shadow Leader.

The idea is not to explore the ground for a formal pact, but to establish some personal contact with the more influential MPs in minority parties. It is felt far better to get this kind of groundwork done now, rather than leave it until after an election, when the Tories might find themselves needing support of another party to get a majority in the Commons.

In the same way informal contacts are likely to be made with the Ulster Unionists. Though there is no question that the Tories would meet the Unionists' demand for a return of Stormont, some Tories believe that, leaving aside Mr. Enoch Powell, there is common ground between the two parties.

It is increasingly believed by the Tories that it is highly unlikely that there will be a General Election until wel into the New Year.

Through most of last year the Tories tended to live on a hand-to-mouth basis on the assumption that an election was imminent. For this reason some senior Tories think the party has concentrated on short-term strategy at the expense of long-term policies.

# FT Monthly Survey of Business Opinion



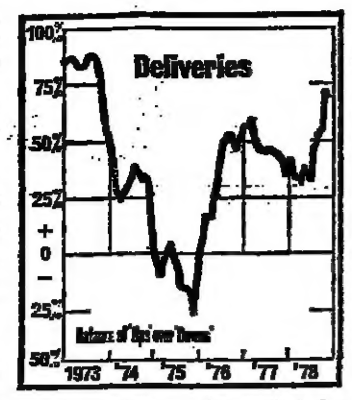
## GENERAL OUTLOOK

# Confidence on wane

THE OCTOBER increase in optimism over prospects for the UK economy went into reverse last month. The major reason seems to be fears of industrial unrest over the winter as employers try to remain within the Phase Four 5 per cent pay increase ceiling in the face of Government sanctions.

The outlook on the UK economy was carried through into the area of business prospects in two of the three industrial sectors surveyed in November.

The food and tobacco sector was much less optimistic than it was when last surveyed in July, with the main worries uncertainty over price competition, industrial relations in the bread industry coupled with the discount structure demanded by retailers, the decline in the dollar and import competition on butter and cheese because of the green pound.




The second sector in which there was an increase in pessimism was building and construction, where there was disappointment over the extent of the economic upturn.

However, improved demand for textile and clothing meant some increase in confidence in this sector, although the lower market capitalisation of the group gives it a relatively small weight in the overall index.

Both the food and tobacco and textile and clothing groups were more optimistic about increasing their exports over the next year, but the building and construction group was less optimistic, with difficulties in the Middle East and Nigeria most commonly cited.

### GENERAL BUSINESS SITUATION

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| Are you more or less optimistic about your company's prospects than you were four months ago? | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| More optimistic | 36 | 42 | 47 | 45 | 27 | 19 | 71 |
| Neutral | 51 | 46 | 39 | 44 | 58 | 69 | 17 |
| Less optimistic | 13 | 9 | 11 | 8 | 15 | 12 | 12 |
| No answer | — | 3 | 3 | 3 | — | — | — |

### EXPORT PROSPECTS (Weighted by exports)

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| Over the next 12 months exports will be: | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| Higher | 77 | 72 | 79 | 73 | 50 | 69 | 74 |
| Same | 18 | 20 | 15 | 14 | 32 | 8 | 2 |
| Lower | 3 | 6 | 6 | 13 | 9 | 13 | 24 |
| Don't know | 2 | 2 | — | — | 9 | 10 | — |

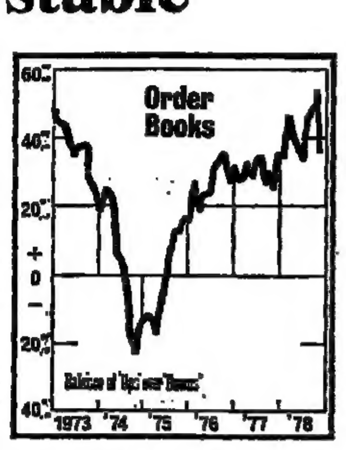
## ORDERS AND OUTPUT

# High and stable

BOTH RECENT deliveries and new orders remained at about the high level achieved last month. However there was a fairly sharp fall in the index covering order books.

Both the building and construction and food and tobacco sectors were less inclined to report increased deliveries than they had been last July, but all the textile and clothing companies interviewed said their sales over the last four months were higher than they had been in the corresponding period last year.

In food and tobacco the economic position, the decline in the bread market, industrial unrest and the lower rate of growth of the food industry were all mentioned as factors affecting deliveries.




Orders over the last four months were steady, with an improvement in the textile and clothing sector being offset by a deterioration in building and construction. In this sector mortgage difficulties and interest rates were said to be having a depressing effect on orders for houses, although demand for home improvements and Do-It-Yourself remained strong.

The fall in the index for order books was caused by the more pessimistic view of future orders taken by the building and construction group and the food and tobacco companies.

### NEW ORDERS

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| The trend of new orders in the last 4 months was: | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| Up | 68 | 65 | 52 | 49 | 27 | 53 | 61 |
| Same | 16 | 21 | 27 | 30 | 31 | 13 | 27 |
| Down | 7 | 4 | 8 | 9 | 27 | 15 | 12 |
| No answer | 9 | 10 | 13 | 12 | 15 | 19 | — |

### PRODUCTION/SALES TURNOVER

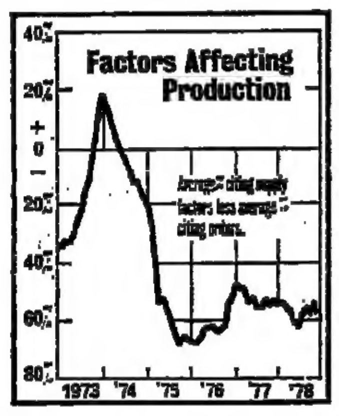
| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| Those expecting production/sales turnover in the next 12 months to: | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| Rise over 20% | 7 | 7 | 5 | 2 | — | — | — |
| Rise 15-19% | 4 | 5 | 5 | 5 | 10 | 13 | — |
| Rise 10-14% | 13 | 15 | 17 | 13 | 3 | 5 | 8 |
| Rise 5-9% | 24 | 25 | 24 | 32 | 14 | 13 | 39 |
| About the same | 32 | 35 | 40 | 39 | 35 | 31 | 53 |
| No comment | 20 | 13 | 9 | 9 | 38 | 38 | — |

## CAPACITY AND STOCKS

# More labour disputes

THERE WAS a significant drop in the number of companies who said they were working below planned output levels last month. At the same time there was a greater tendency for companies to say their level of stocks was too high rather than about right in relation to current sales trends.

Demand remained the main constraint on output rather than supply factors, so the index covering this shows little movement. However, there are signs that labour disputes are becoming more of a problem, with nearly a third of respondents pinpointing difficulties in this area compared with about a quarter earlier in the year.




While home demand was steady, there was some increase in mentions of of a shortage of export orders as a constraint in the food and tobacco and building and construction sectors.

Expectations for stock increases of raw materials and manufactured goods declined and there was a slight fall in expectations for work in progress.

### STOCKS

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| Raw materials and components over the next 12 months will: | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| Increase | 37 | 45 | 46 | 40 | 49 | 25 | 21 |
| Stay about the same | 49 | 38 | 37 | 40 | 37 | 62 | 53 |
| Decrease | 4 | 7 | 9 | 10 | 14 | — | 26 |
| No comments | 10 | 10 | 8 | 10 | — | 13 | — |
| Manufactured goods over the next 12 months will: | | | | | | | |
| Increase | 34 | 37 | 42 | 40 | 46 | 13 | 45 |
| Stay about the same | 41 | 37 | 39 | 38 | 31 | 75 | 12 |
| Decrease | 5 | 4 | 3 | 4 | — | — | 18 |
| No comments | 20 | 22 | 16 | 18 | 23 | 12 | 25 |

### FACTORS CURRENTLY AFFECTING PRODUCTION

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| Home orders | 82 | 81 | 82 | 82 | 92 | 87 | 73 |
| Export orders | 63 | 60 | 61 | 59 | 80 | 53 | 65 |
| Executive staff | 14 | 18 | 16 | 20 | 11 | 13 | — |
| Skilled factory staff | 46 | 49 | 43 | 40 | 24 | 13 | 61 |
| Manual Labour | 11 | 8 | 6 | 10 | 9 | 13 | 8 |
| Components | 4 | 7 | 6 | 5 | 7 | — | 8 |
| Raw materials | 9 | 8 | 8 | 7 | 7 | 15 | — |
| Production capacity (plant) | 5 | 10 | 10 | 10 | — | — | 35 |
| Finance | 1 | — | — | — | 7 | — | — |
| Others | 7 | 14 | 12 | 12 | 22 | — | — |
| Labour disputes | 32 | 27 | 24 | 26 | 14 | 41 | 36 |
| No answer/no factor | 3 | 1 | 1 | 1 | 1 | 13 | — |

### CAPACITY WORKING

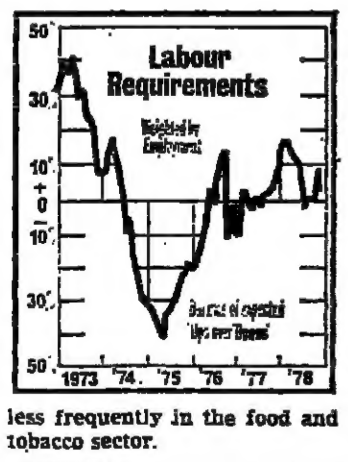
| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| | Aug.-Nov. | July-Oct. | June-Sept. | May-Aug. | Cnstrctn. & Bldg. | Food & Tobacco | Textiles & Clothing |
| | % | % | % | % | % | % | % |
| Above target capacity | 13 | 16 | 18 | 15 | 21 | 13 | — |
| Planned output | 69 | 55 | 55 | 57 | 19 | 84 | 88 |
| Below target capacity | 15 | 28 | 27 | 27 | 30 | 3 | 12 |
| No answer | 3 | 1 | — | 1 | 30 | — | — |

## INVESTMENT AND LABOUR

# Job hopes cut

*THE DROP in the index covering labour requirements should be treated with some caution, because the companies which expected falls—in the building and construction and food and tobacco sectors—tended to be the larger employers.*

In all three sectors companies were more inclined to mention the potential cost of redundancy payments as a factor in discouraging them from increasing employment levels, but other aspects of employment legislation were less frequently mentioned. Plans to increase productivity were also mentioned less frequently in the food and tobacco sector.




*All three sectors were more inclined to mention both product demand and structure of labour supply as factors affecting employment.*

Both the building and construction and food and tobacco sectors were *less* inclined to say they expected to increase their capital expenditure over the next 12 months than they had been last July. As a result, even though the textile and clothing sector was more hopeful of increasing its expenditure, the indices for capital investment continued the fall which started last month.

Liquidity levels in industry remained generally satisfactory.

### LABOUR REQUIREMENTS (Weighted by employment)

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| Those expecting their labour force over the next 12 months to: | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| Increase | 30 | 27 | 21 | 19 | 16 | 6 | 32 |
| Stay about the same | 43 | 55 | 59 | 63 | 34 | 62 | 42 |
| Decrease | 27 | 18 | 20 | 18 | 50 | 32 | 26 |

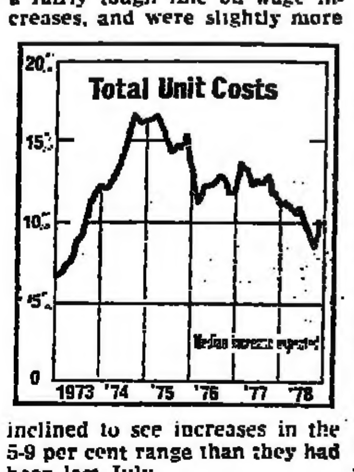
### CAPITAL INVESTMENT (Weighted by capital expenditure)

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| Those expecting capital expenditure over the next 12 months to: | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| Increase in volume | 48 | 56 | 60 | 63 | 19 | 39 | 24 |
| Increase in value but not in volume | 10 | 8 | 11 | 9 | 24 | — | 37 |
| Stay about the same | 18 | 15 | 14 | 12 | 28 | 36 | — |
| Decrease | 16 | 18 | 12 | 13 | 29 | 2 | — |
| No comment | 8 | 3 | 3 | 3 | — | 23 | 39 |

## COSTS AND PROFIT MARGINS

# Tough line on pay

COMPANIES INDICATED that they were prepared to adopt a fairly tough line on wage increases, and were slightly more




inclined to see increases in the 5-9 per cent range than they had been last July.

Government policy seemed to play a significant part in their determination, with those companies saying they would oppose increases frequently mentioning their vulnerability to official sanctions.

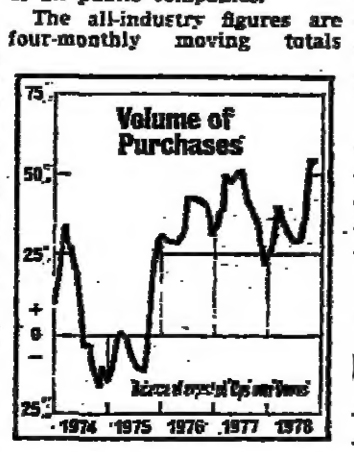
Both the building and construction and food and tobacco groups were inclined to expect greater increases in unit costs than they had been last July and the median expected increase rose from 9.6 per cent to 10.6 per cent.

A more cherful picture was evident over profit margins. Both the food and tobacco and textile and clothing sectors were more optimistic about increasing their margins than they had been in July, and this index, which had been falling, has recovered the ground lost last month.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-monthly moving totals




covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month). *Complete tables can be purchased from Taylor Nelson and Associates.*

### COSTS

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| | Aug.-Nov. | July-Oct. | June-Sept. | May-Aug. | Cnstrctn. & Bldg. | Food & Tobacco | Textiles & Clothing |
| Wages rise by: | % | % | % | % | % | % | % |
| 5-9% | 25 | 21 | 21 | 20 | 27 | 25 | 39 |
| 10-14% | 56 | 64 | 66 | 69 | 44 | 47 | 53 |
| 15-19% | 6 | 3 | 3 | 2 | — | 15 | — |
| No answer | 13 | 12 | 10 | 9 | 29 | 13 | 8 |
| Unit cost rise by: | | | | | | | |
| 0-4% | 1 | 4 | 8 | 8 | — | — | — |
| 5-9% | 31 | 34 | 38 | 40 | 34 | 25 | 57 |
| 10-14% | 43 | 34 | 31 | 33 | 30 | 62 | 43 |
| 15-19% | 1 | 1 | 1 | 1 | 8 | — | — |
| 20-24% | — | — | — | 1 | — | — | — |
| Decrease | 2 | 2 | 2 | — | — | — | — |
| No answer | 22 | 25 | 20 | 17 | 28 | 13 | — |

### PROFIT MARGINS

| | 4 monthly moving total | | | | November 1978 | | |
|---|---|---|---|---|---|---|---|
| Those expecting profit margins over the next 12 months to: | Aug.-Nov. % | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % | Food & Tobacco % | Textiles & Clothing % |
| Improve | 32 | 32 | 37 | 45 | 40 | 22 | 63 |
| Remain the same | 42 | 35 | 31 | 27 | 52 | 63 | 17 |
| Contract | 21 | 26 | 26 | 21 | 8 | 15 | 20 |
| No comment | 5 | 7 | 6 | 7 | — | — | — |

## LABOUR NEWS

# Strikes worse as plants get bigger—report

BY ALAN PIKE, LABOUR CORRESPONDENT

EVIDENCE that strike-proneness of manufacturing plants varies dramatically according to size, with more than three-quarters of very large factories suffering stoppages every year, is provided in a study by the National Institute of Economic and Social Research.

Its findings, published in the Journal of the Royal Statistical Society, are based on Department of Employment information. They complement the Department's detailed study of strikes.

In an average year, only 2 per cent of all manufacturing plants experience strikes. It has been recognised that the proportion of stoppages is higher at bigger plants, but the Institute says that its new results substantially modify the previously expressed Employment Department view that the frequency of stoppages "levels out in the higher size ranges."

The three-year average strike record of manufacturing industry from 1971 to 1973, according to the study, shows that only 0.2 per cent of plants employing between 11 and 24 workers had strikes. Those resulted in the loss of 0.3 working days a plant a year.

In the 500 to 999-employee range, the percentage of plants with strikes reached 14.3, and 498 working days were lost.

Among bigger plants the figures are:

1,000-1,999 employees: 25.2 per cent with strikes; 1,539 working days lost.

2,000-4,999 employees: 44 per cent with strikes; 5,744 days lost.

More than 5,000 employees: 75.8 per cent with strikes; 29,400 days lost.

Although the institute's paper is mainly concerned with statistical analysis, it suggests that there may be reluctance to develop really large manufacturing plants in Britain, partly because of the sharp rise in strikes with plant size.

No direct statistics are available to indicate whether the same pattern exists in the mass-production industry of countries such as the U.S. and West Germany. The institute says, however, that "the impression to be derived" is that the rise in strike frequency with plant size is by no means as great in those countries.

The years on which the institute's research is based were a time of comparatively many strikes. These included action in the engineering industry against the Industrial Relations Act, 1971, which may have been most effective in large plants with well-developed trade union organisation.

# BL engineers want design industry aid

BL ENGINEERS have called for fast and radical Government action to bolster Britain's ailing motor design and tooling industry.

Their plea came in a report published today by TASS, the engineering staff union. It was prepared by TASS members employed in tool design at BL cars.

The report urges the Government to help the company employ at least three times its present number of designers, in spite of the pay policy.

TASS, which is sending the report to Mr. Eric Varley, Industry Secretary, also believed more planners, estimators and body design workers were essential.

BL was suffering like Ford, Chrysler and Vauxhall by losing skilled technicians to the Continent. Draughtsmen could earn up to £16,000 a year abroad.

"Government insistence on the strict maintenance of pay policy at BL Cars has been a big cause of the loss of technical staff and skilled craftsmen.

"It is absolutely essential to the survival of the company that its employees enjoy salaries and conditions comparable with the best achieved elsewhere."

The union urged the Department of Industry and the National Enterprise Board to establish a public tooling and design company capable of meeting the needs of the British motor industry and other advanced manufacturing sectors.

Ford, Vauxhall and Chrysler had all run down their UK design teams and BL cars were increasingly turning abroad because of inadequate tooling facilities in Britain.

Imported technology adversely affected employment in Britain, and was a drain on the balance of payments.

# Midlands ambulancemen relax industrial action

BY OUR LABOUR STAFF

WEST MIDLANDS ambulancemen decided at a mass meeting at the weekend to lift from Monday almost all their industrial sanctions imposed in a pay dispute with local health authorities.

About 600 ambulancemen were suspended two weeks ago because of industrial action over bonus pay anomalies. A large part of the area has since been without an official ambulance emergency service.

Mr. Roland Moyle, Minister of State at the Department of Health, gave the go-ahead last week for discussions on a proposal to "buy out" bonus pay anomalies in the area.

The weekend meeting decided to return to normal working but ambulance crews will refuse to cross area boundaries other than 999 calls.

West Midlands Regional Health Authority has offered the men £80 for the two weeks they have been on suspension, but the men are seeking further negotiations on that figure.

The ambulance crews have been protesting at wide disparities in bonus payments since the 1974 National Health Service reorganisation.

When the ambulance service was taken away from the various local authorities and made into a unified service, Government pay policy prevented introduction of an equitable bonus system.

# Footwear union advises workers to accept 7½%

BY OUR LABOUR STAFF

A PAY OFFER to workers in the footwear manufacturing industry is being recommended for acceptance by the National Union of Footwear, Leather and Allied Trades.

The offer from the British Footwear Manufacturers' Federation is being put to the industry's labour force in a ballot. The result will be known by the middle of the month.

The proposals involve an overall increase of 7½ per cent for all adult workers, including a 2½ per cent self-financing productivity scheme. It will be backdated to September 1.

The agreement would run for 18 months, with cost of living increases made in September next year and the following March. An extra one day's paid holiday would also come into effect from September 1979.

The industry's new minimum rate of £38 would be increased to £42.50, and will be payable at the age of 18.

The union said that if the offer was not accepted, "a serious industrial situation will be created, the effects of which would cause severe hardship" to everyone in the industry.

# Index 'underestimates effects of price rises'

BY OUR LABOUR STAFF

THE OFFICIAL prices index underestimates the effect of price rises on the average family as well as on the low paid, says a report today by the Low Pay Unit.

The report says that the Retail Prices Index does not adequately reflect the effects of inflation on low income households, particularly those of larger families.

The typical "index" family is assumed to spend more on motoring than housing, more on alcoholic drink than on fuel and light and more on meals out than on certain basic foodstuffs, says the report.

The unit suggests in a letter to the Department of Employment that Government inaction in producing alternative ways of measuring inflation "might be viewed by the public as a deliberate attempt to mislead them over the true rate of price increases."

# Heathrow clash delays flights

PASSENGERS on all British Airways international flights faced delays of at least two hours yesterday in Heathrow's Terminal 3 building because of a dispute involving catering staff.

Over 50 members of the British Airways Aircraft Catering Unit began a work-to-rule and an overtime ban late on Saturday night because of a dispute over pay grading. They were expected to continue their action indefinitely. No talks had been planned last night.

هكذا من الأصل

# DO YOU HATE YOUR COMPANY CAR?

The trouble with driving a company car is that you have to drive what you are given.

And what you are given may not be entirely to your liking.

Especially when everyone else in your position seems to be driving the identical German-made, Italian-styled, British-named executive saloon.

Not that they're anything but fine cars. But if you'd wanted to be part of a fleet, you'd have joined the Navy.

The problem is, how do you persuade the company that your feelings towards your car are not hopelessly irrational?

Obviously, you must provide a rational alternative.

Which brings us neatly to the Audi 100.

## LOVE AT FIRST SIGHT.

Like most people, you've probably admired the Audi 100's sleek, purposeful shape.

But, as with everything about an Audi, there is reason behind the styling.

The body is built around our unique Timoshenko girders, with long crumple zones front and rear barring the way to a rigid steel passenger safety cell.

And its steering and braking system will keep the car on course if a front wheel skids or punctures.

The interior is quietly opulent with plush upholstery, thick carpeting and all the other trappings of a prestige car.

We've even tuned the seat springs so that they work in harmony with the suspension. And the 'acoustic sandwich' lining the floor absorbs as much noise as a six inch thick brick wall.

But we haven't provided you with all this luxury for its own sake.

The quieter the car, the less there is to distract you from your driving.

And the thick padding that surrounds you is there to protect as well as comfort you.

So if your company values your life as highly as it values your services, there's no safer car it can give you.

## A UNIQUE PROPOSITION.

In one respect at least, the Audi 100 is unlike any other car made.

Its engine has five cylinders.

The reason for this odd configuration is something that will gladden the heart of your company accountant.

It is as quiet and smooth as a six cylinder engine but simpler and less thirsty.

And by designing out components such as cam-rods and jackshafts, we eliminated vulnerable wearing parts and reduced the amount of servicing the car requires.

In fact, going by manufacturers' figures, the five cylinder Audi 100 needs less than half as many hours servicing as the Rover 2300.

Your company will find that facts like these make sound business sense.

## IT COSTS LESS THAN YOU THINK.

A five cylinder Audi 100 costs between £5,492 and £8,564 according to the model you choose.

Figures, you will notice, that compare very favourably with prices of other cars that, in our humble submission, do not offer you nearly as much.

But the final ace in your hand could be that the company doesn't even have to buy the car for you to drive one.

By leasing, you could drive away in a new Audi 100, by the simple expedient of your company paying £777, i.e. three months charges in advance.

Thereafter, you pay a monthly rental (that can include all maintenance costs).

And by setting the entire cost of leasing against tax, the real cost of the car comes down by half, which eliminates any worries your accountants may have about depreciation.

If this advertisement has only served to increase your discontent with your present company car, we apologise.

But if you can use it to good effect, you'll end up with a car that you'll love.

## YOU'D LOVE A NEW AUDI 100 Audi

Please send me details on buying or leasing an Audi 100.

Name ______________________ Position ______________

Company ______________________________________

Address ______________________________________

Cut out and send to Audi Marketing Department, Volkswagen (GB) Ltd., Volkswagen House, Yeomans Drive, Blakelands. Milton Keynes MK14 5AN.

Costs quoted above are calculated on an Audi 100 LS costing £5492 over a 24 month period with three rentals in advance. Terms quoted subject to underwriting acceptance by ALF Leasing [illegible]

# Building and Civil Engineering

## Boots' £11m jobs

A VARIED range of contracts totalling more than £11m. have been won by Henry Boot Construction.

Largest is a £3.3m award for the building of 265 houses and flats at Clayton Brook, near Chorley, for the Central Lancashire Development Corporation. The dwellings will be of traditional construction, and site works will include roads and sewers. The project has already begun and is due to be completed in about two years.

Another housing scheme, at £2.7m, covers 241 dwellings to be constructed at Scale Hall Farm, Lancaster, for the Northern Counties Housing Association. The scheme includes 70 two-storey houses and 171 two- and three-storey flats, which will have brick and block external walls and tiled pitched roofs with plastered internal walls. Included in this contract are parking areas, access roads, paths and grassed and planted areas.

Under a £1.7m contract from Leeds City Council, the company will also construct 133 dwellings at Rothwell Green Lea, near Leeds. The site is in the Oulton area of Rothwell and contains housing built in 1922 of cement-rendered clinker-built construction. Some houses have already been demolished and others will be demolished as the scheme progresses, with new homes being provided in sequence. The scheme should be completed in early 1981.

Also in Leeds, a £1.5m contract will provide housing for university students at Raglan Road, Woodhouse. There will be 11 three-storey blocks of flats with two link blocks, an office and outbuildings. Each three-storey block contains nine flats; eight accommodating five students apiece, and one top-storey flat for four students. The flats have communal parlours and kitchens, either four- or five-study bedrooms, and toilet annexes.

A further contract for £1m is in Central Lancashire for factory units for phases 6 and 7 of the Walton Summit Industrial Development, near Leyland. There will be 16 nursery units in five blocks, and one block of five mini-units. The units will be steel-framed with brickwork dado walls, asbestos cement roofs and cladding and cover a total floor area of 8,000 square metres.

Work has already begun on a £700,000 contract to construct a pyrotechnic assembly and storage building at the Royal Ordnance Factory, Glascoed, Gwent, on behalf of the Property Services Agency, Wales.

Finally, the Anglian Water Authority has awarded a contract worth more than £280,000 for improvements to its treatment works at Covenham, near Grimsby.

## Housing in Scotland

TWO CONTRACTS with a total value of £4½m have been awarded to Alexander Hall and Son (Builders), member company of Aberdeen Construction Group.

The first contract, worth £3½m, has been awarded by Moray District Council for the erection of 266 houses, including site works and drainage, at Coulardbank Road, Lossiemouth.

The second, valued at £1½m, has been awarded by the Highland Health Board and is for the erection of staff accommodation, comprising flats and houses, the provision of external services, and the demolition of existing accommodation blocks at Inverness Central Hospital.

## Gleeson in at several sites

GLEESON has won contracts worth more than £7.4m in Britain and overseas.

M. J. Gleeson (Contractors) is in with GLC on a job valued at £2,131,000 to construct 119 dwellings at Thamesmead Area 10 D—this is the third contract awarded to the company at Thamesmead.

North British Housing Association has awarded Gleeson (Sheffield) a contract worth £1,997,553 to build 188 dwellings at Nottingham. The same affiliate has also been awarded a contract at Princeville Road, Bradford, by the City of Bradford Metropolitan Council to build 53 dwellings at a contract value of £638,175.

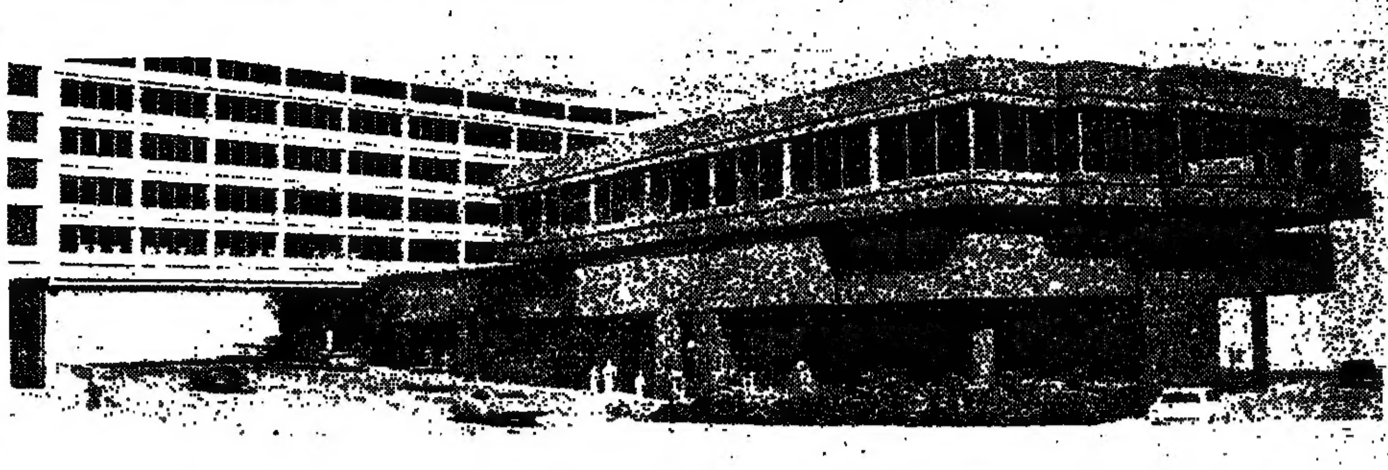
Midland Bank has awarded this company a contract valued at £45,900 for internal fitting out works at Jubilee House, Sheffield, a Gleeson Office Development Project.

Outside Britain, the Government of the Seychelles has awarded Gleeson (Construction) a contract valued at £603,000 to build a refrigerated cold store on the island. Erection work in the Seychelles starts in January, 1979.

Gleeson (Construction) will build a cold store at Queensferry, Clwyd, for Iceland Frozen Foods. Work has started and completion is due in April, 1979, the value being £354,000.

For Burnley, Gleeson Civil Engineering will divert the River Brun—the contract value is £532,000 and work is commencing shortly. This group has also started work on the preparatory earthworks at Tafarnaubach (valued at £300,000) for the Welsh Development Agency and on the pit drainage contract at the Mynydd-Y-Cymmer Reclamation Scheme for the Mid-Glamorgan County Council, valued at £200,000.





## Trollope and the Mermaid development

A MARRIAGE of convenience between Touche, Remnant and Co., and the Mermaid Theatre Trust gives the company a 40,000 square feet office complex, and the theatre a major reconstruction, extension and general refurbishment under a £4.6m contract to Trollope and Colls.

The theatre's dowry was its present site in Puddle Dock (where, says artistic director Sir Bernard Miles, it has "squatted for over 12 years") and an Office Development Permit obtained by the Trust in 1979.

The international investors acquired a 999 year lease from the City of London for £1m, and work is now under way for the mutually beneficial project which is scheduled to be completed within the next 22 months.

Demolition work has started in preparation for piled foundations sited round the theatre's auditorium, which will support the new office block and extended restaurant.

The air conditioned office block will be built at the north end of the site and will be in reinforced concrete with precast granite faced cladding panels. In order to carry the building across the dual carriageway, leading to the Embankment four box girders with precast concrete panels will span the road to form the base construction and the reinforced concrete frame will be continued.

Ancillary works include three separate plant rooms to serve the restaurant and kitchen, the auditorium and office block. The area around the development will be paved with new laybys.

Much of the character of the original theatre setting is to be preserved. Its basic fabric will remain intact and the original granite paving stones and circular milestones will be stored and re-used.

## Offices by Bison

BISON Concrete (Scotland) is in on three shop and office developments in Aberdeen, Glasgow and Sunderland for a total value of £833,900.

In Aberdeen, a two-storey office block for British Brown Boveri on Altens industrial estate will be erected in precast concrete load-bearing structural panels.

New offices for Tennent Caledonian Breweries are to be erected at Wellpark Brewery, Glasgow, on an area of nearly 900 sq. m, on 3/4 floors, at a value of £213,300.

In Sunderland, a commercial development of offices and shops is being carried out for Barratt Developments (Properties) for £489,500.

## Hotel award to Higgs and Hill

GRAND Metropolitan Hotels has selected Higgs and Hill Building for a £2m contract for the major refurbishment of the Manderville Hotel, Manderville Place, London, W.1. The project will be carried out in phases.

The contract involves completely gutting the interior of the original Victorian hotel building and installing new floors with public areas at ground floor level and bedrooms and staff accommodation facilities on the floors above. Higgs and Hill will also be refurbishing the bedrooms and public areas in the eight storey hotel extension which will remain open while the work is carried out.

## Marriott in big project

FROM THE Milton Keynes Development Corporation, Robert Marriott, Rushden-based member of the French Kier group, has won a £4.6m contract for the construction of 63 advanced factory units contained within 10 blocks. Some of the units will have two-storey office accommodation.

At Blakelands North, Milton Keynes, the factories will have concrete floors and foundations with steel frame super-structure. Marriott's will use cladding and facing brickwork externally and blockwork internally for dividing walls. Total floor area of the new facilities will be 29,000 sq metres and the Corporation is both client and architect.

Marriott is undertaking the advanced ground works and will be starting the main structures shortly. These will be completed in just over 18 months.

## Disposal of alumina mud

SUPERVISORY work is to be carried out by Engineering and Resources Consultants (Ercon) of Bracknell, Berkshire, for Alumina Contractors of Limerick, Republic of Ireland, on the construction of the mud stacking area and associated works at the proposed £287m alumina plant on the Shannon.

As well as providing site supervision in respect of civil engineering works for the red mud pond, Ercon staff will advise Alumina Contractors on geological aspects of foundations in the main plant area.

## Sri Lanka £750m project

SITE INVESTIGATION work in Sri Lanka, valued at £1.5m has been awarded by the Crown Agents to Bracknell-based Soil Mechanics, international geotechnical specialists.

Part of the preliminary work for a large dam and hydro-electric scheme at the Victoria Rapids on the Mahaweli Ganga river, the study also takes in embankment works for reservoirs to store the river water for a massive irrigation scheme in the country's "dry zone."

This vast project is called the Victoria Scheme and is a key to the Mahaweli Ganga development plan which involves a series of hydro-electric stations on the river, as well as irrigation projects.

The Victoria dam will be located about ten miles east of the town of Kandy and the other reservoirs will be considerably further downstream.

Investigations are being financed by the Ministry of Overseas Development and will be carried out under the supervision of the consulting engineers for this feasibility stage, Sir Alexander Gibb and Partners, of Reading.

Total value of this huge project, which will take well into the next decade to complete, has been estimated at $1.5bn.

## Fairclough in Midlands road work

FAIRCLOUGH Civil Engineering, Northern Division, is ready to start work on a £3.5m motorway contract which will help to provide better road links between the North West and North Wales.

The contract for a new stretch of the M531 in Cheshire and an interchange to Stoak has been awarded by Cheshire County Council and is linked to a multi-million extension of the M56—the main artery to Wales from Greater Manchester and South Lancashire.

A viaduct and an underpass for an existing road are included in the scheme, which should be complete by September 1980.

Northern division has won a new sewer contract off Liverpool Road, Chester, for the Department of the Environment.

## Commuters given some cheer

TWO CONTRACTS, valued together at £2¼m, involving improvements to stations on the East London Line and bridge work at West Ham Station, have been awarded by the London Transport Executive to John Mowlem.

The main £2m award is to modernise or improve stations on the East London line, which runs from Shoreditch under the Thames to New Cross and New Cross Gate. All six London Transport stations on the line will benefit and the platforms in two British Rail Stations will also be involved.

Work at each station will vary but includes an extensive lighting modernisation scheme, re-asphalting of platforms and improving platform walls by installing laminated plastic covered plywood panels.

The second contract, with a £250,000 value, involves bridge reconstruction work at West Ham Station where the District and Metropolitan lines cross over the British Rail line linking Stratford and North Woolwich.

## Coal plant work at Doncaster

ORTECH division of Matthew Hall has a £9m contract from the National Coal Board for the design, supply, erection and commissioning of a complete new coal preparation plant at Hatfield Colliery, near Doncaster.

It will produce power station fuel from a raw coal feed of approximately 650 tons per hour.

Completion of the plant is for July, 1980.

## Tarmac in the North

WORTH A total of more than £1m, several contracts in northern England have gone to Tarmac Construction's Leeds-based organisation. Biggest jobs are in the Leeds area, and involve two office blocks and three new advance factory units.

The factories are being built for English Industrial Estates Corporation, on its Elland site, in a contract worth about £450,000. Work has just started, and is due to be completed in nine months. An official of the Corporation said the factories would be let for the Department of Industry.

## More space for diesels

WORK ON the building to house a new test and assembly area extension at the Dursley factory of R. A. Lister and Co., a Hawker Siddeley company, has begun. The new facility, covering an area of 15,738 square feet and costing in the region of £¾m, is required as part of the company's continued expansion plans to increase the production capacity of the rationalised Lister [illegible] and [illegible] ranges of diesel engines. The facility is planned to become operational in June 1979.

The contract for the new building has been placed with Avonmouth Construction which is working in conjunction with Kelvin Construction, another Hawker Siddeley company. The extension will house eight environmentally controlled test cells, grouped around a central isolated operators' area. This affords a better environment for the test cell staff and also makes loading and unloading of the engines on test easier from the preparation area surrounding the test cells.

### IN BRIEF

● Work on the Elms Industrial Estate, Bedford, is worth £1m to Hunting Gate Construction. It will undertake a new warehouse and office development for United Heating Services and also build a major office and factory complex for GTE Unistrut, the Bedfordshire-based subsidiary of the Unistrut Corporation of America.





## CONTRACTS AND TENDERS

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

## Cutting the cost of stainless steel

THOUGH steel is a problem in many countries, the drive for greater efficiency continues, and a new and more cost-effective method of producing stainless material has been developed following a joint test programme conducted by Inco Europe and Fried. Krupp Hüttenwerke AG.

It is an injection process whereby Inco's nickel oxide sinter 75 is blown by injection lance into converters.

Full commercial production using the new system is in train at Krupp's Bochum works and the process has also been introduced by Jessop Steel, in the United States.

NOS 75, a granular product, is free-flowing and can be injected into converters in precisely controlled amounts. When it comes into contact with liquid steel an endothermic reaction occurs between the nickel-oxide and the carbon in the melt, so holding down temperatures.

By using the injection system, steelmakers are able to control excessive temperature during the Stage 1 blow. This can prolong refractory life and avoids the need to add bulk coolants. Process time is saved and decarbonising rate increased. An added bonus is that up to 20 per cent of the total ogygen requirement is supplied by the NOS 75, thus reducing the amount of gaseous oxygen and expensive inert gas normally required.

Krupp has equipped both its 80-tonne converters at Bochum for sinter injection, compressed nitrogen being used to propel the nickel-oxide granules into the vessels. Nitrogen is preferred to compressed air, to discourage ignition of the carbon monoxide evolved from the converter.

Jessop Steel has equipped an 18-tonne AOD converter with the injection system and describes the process as "a better way to make stainless steel." After operating the system for some months, Jessop Steel claims that the system is cutting costs. Money has been saved by reduced expenditure on oxygen and inert gas, while the improved temperature stability in the first stage should result in lower refractory costs.

Inco Europe, Thames House, Millbank, London SW1P 4QF. 01-834 3888.

● TRANSPORT

## Shaping up for the future

PRINCIPAL interests of Blagden and Noakes (Holdings) are the manufacture and reconditioning of steel drums and wooden casks, as well as plastics mouldings, chemical manufacture and trading, and industrial protective equipment.

It controls a group of manufacturing companies (with an annual turnover in excess of £50m), operates from 18 locations in the UK and overseas, and this week unveiled its shop window of diversified products.

Activities range from chemicals for the paint, cosmetics and food industries, through lithograph printing of steel sheets to plastic horticultural and household products.

In East London, Willamot Industrial Mouldings specialises in technical blow mouldings in plastic. Despite the present Department of Industry embargo on plastic material as a container for petrol (some continental cars already have plastic fuel tanks) this company has developed and shown an experimental blow-moulded tank, in high density high molecular weight polyethylene.

It has been specifically designed for the BL Cars' Rover Saloon range and, says a spokesman for the company, this will go into production as soon as legislation is granted.

More about more products from the group at 16 Hatton Garden, EC1N 8AT (01-242 6571).

● DATA PROCESSING

## Handles a mass of data

ELBIT, WHICH began operations in Britain last March, has announced the UK launch of its Pact computer system. Made by parent company Elbit Computers of Haifa, Israel, the Pact system is an advanced development of the CDC System 17, of which well over 1,000 have been installed worldwide.

Pact itself is a general-purpose minicomputer system with CRT terminals, running under a disc operating system. First two members of the Pact family to be available in the UK are Keypact and Datapact. Keypact is a data capture/data entry pre-processor system, which can handle batch processing in background concurrent with data entry.

Datapact is a stand-alone multi-terminal system for the small business user, with interactive capability. First deliveries of Keypact are planned for January 1979 with Datapact to follow shortly afterwards.

Elbit Data Systems, Copthall House, St. Ives Road, Maidenhead, Berks.

● COMMUNICATIONS

## Universal telex

TELEPUNCH AUTOMATIC telex tape punching system is an advance towards greater utilisation of existing office equipment through its ability to accept input from not only typewriters but also displays and computers.

Up to eight work stations can be linked into each punch unit and the system has been designed to allow simultaneous creation of telex messages at each station.

Input from typewriters is through a specially developed interface beneath the typewriter and a control unit which incorporates a variable memory.

Input from visual display units and computers is via a standard V24 interface, but special chips are used where available, to achieve compatability with equipment not possessing the interface. Alternatively a buffer unit is available.

Typewriter interface allows a typist to use all the keys on her typewriter. Certain non-telex symbols, e.g £, $, %, &, ½, ¼, are automatically converted into words or figures. Use of the tab function on the typewriter enables telex messages to be set out in tabulated format more easily and should result in off-line tapes being produced at up to three times the speed that can be achieved on a telex machine while also removing a complete keyboarding sequence.

As far as the display and computer applications are concerned many businesses should benefit from the accelerated information turnaround times the Telepunch system allows, particularly where customer or supplier contact is involved. The ability to merge a format with one time information to produce a telex tape has particular application to the placing of orders on suppliers and the answering of customer price and availability inquiries.

Globe Electronics, Euston Centre, 354A Euston Road, London NW1 3BL. 01-487 4867.

● COMPONENTS

## Hygienic switch

DEVELOPED by Delta Controls is an open diaphragm flange-seal pressure switch, model 208 which makes use of a crevice-free stainless steel diaphragm.

It is aimed at the dairy and foodstuffs industries where it is important that viscous fluids do not collect in internal mechanisms and encourage micro-organism growth.

Operating range can be from 50 millibars to 15 bars and the pressure connection is by 2 inch pipe flange union to FIL-IDF standards.

Diaphragm force operates the switch mechanism and the accuracy and repeatability are within 0.5 per cent of scale range with a long-term stability of 1 per cent.

Materials used in the construction ensure that no damage can be caused by prolonged sterilisation and steam cleaning.

145, London Road, Kingston on Thames, Surrey (01-549 3451).

● CONSTRUCTION

## Will trace the pipes

MOST OF the requirements for metallic pipe and live cable tracing in the construction industries and public services can be met by the J107S instrument introduced in the Parametron label by Sharetree of Stroud.

Tracing is performed either by direct detection of the current in the case of live mains cables or by detection of an induced signal via the transmitter provided.

In the former case a search coil wand is plugged into the receiver and the presence of a live cable is indicated by a change of audio note in the operator's earpiece. By using positions to each side of the cable its depth can be gauged. In soil that is sufficiently dry detection of four in. pipes down to 8 ft is possible to an accuracy of about 2 ins.

To detect passive metal the transmitter and receiver are mounted together on a horizontal carrying frame so that they are displaced by about 3 ft. Radiation from the transmitter induces a modulated 81 kHz signal into the metal and the receiver (sufficiently remote to prevent direct pick-up) detects the re-radiated energy.

After a pipe location has been found, its extensions can be traced by placing the transmitter at the location and using the receiver only.

The complete 40 in-long unit weighs about 10 lb. Each electronic unit is powered by a PP9 battery with a life of 125 hours (transmitter) and 200 hours (receiver).

Parametron, 70 Westward Road, Stroud, Gloucestershire GL5 4JA (04536 2006).



● SECURITY

## Thwarts the intruder

A SOUND detector is the secret of an alarm system called Vandalguard, perfected by Modern Automatic Alarms, 25, Hampstead High Street, London NW3 1QA (01-794 8191).

Catching villains is not enough, says the maker: equally important is preventing extensive and expensive damage to buildings, equipment or fittings, etc., perpetrated on illicit entry.

This system consists of separate units to control separate rooms, and is said to be a facility which cuts out the false alarms associated with other devices. It discriminates against noises outside the area of protection, and yet registers the sound of smashing glass, banging of desks, shouting, and stones hitting window panes.

The company says that the system is proving to be a successful deterrent in and around the Birmingham area where educational establishments, in particular, are using it for protection for schools, colleges, etc., which are uninhabited overnight.

● OFFSHORE INDUSTRIES

## Remote test of cathodes

MONITORING the performance of cathodic protection on offshore structures and pipelines is currently being carried out by a new method undergoing testing by Shell UK Exploration and Production, in the North Sea.

Developed by Wilson Walton International it uses acoustic telemetry to transmit performance data to the surface, dispensing with the need for continuous, and vulnerable, cable runs used in existing monitoring systems.

It has self-contained sub-sea monitor units incorporating dual reference electrodes and a portable surface display unit with an immersible transducer.

In operation, each unit is programmed with an individual interrogation code and will respond to the coded signal from the surface display unit with the precise reference electrode potentials presented on two 3½ digit LCD displays.

The sub-sea units are rated for water depths down to 300 metres and have self-contained power to provide over 500,000 sets of data transmissions. They are simply installed by clamp fittings to pipe lines or platform jackets.

Details are available from Wilson Walton International, Pembroke House, 44 Wellesley Road, Croydon CR9 2BU Surrey. 01 686 7011.

● TEXTILES

## Maintains yarn quality

WHEN SPINNING various fibres on new rotor spinning open-end frames there is a persistent problem of dust generation and collection. Particularly is this problem encountered with cotton when the wax from the cotton fibre collects in the rotors and combines with the dust to form a deposit that gradually increases. As it does so, yarn quality deteriorates until the number of end breaks becomes completely unacceptable.

A new spray treatment has been developed on the Continent for application to the various fibres being spun. This greatly reduces tendencies for fibres to form dust during opening and also offers a degree of protection to the fibres, particularly those in which there is a polyester component.

Duranol 47 is being sold in Britain by Hansawerke U.K. (Lower Paradise St., Bradford BD1 2HP. Tel. 0274 28728). With this new agent there are improvements in the spinning condition of wool/cotton and wool/polyester blends. It is normally applied at a rate of about 0.8 per cent. as an emulsion and acts as a lubricant, but does not dissolve the cotton wax on the cotton component of a blend. It has also the effect of minimising static generation.

● PROCESSING

## Takes out the dust

IN COAL and oil-fired power stations, lime and cement kilns, steel plants and refuse incinerators, efficiency of dust extraction and gas filtration must be maintained.

An instrument specially designed for measuring and recording the concentration of dust particles in gas flows in chimneys, stacks and ducts directly in units of weight per unit volume of gas without need for further data processing is called the Beta dustmeter. This equipment is available from Krohne Measurement and Control, Moulton Park, Northampton NN3 1JZ (0604 499704).

It is particularly useful where toxic dust must be kept below prescribed limits, and consists of six units—a gas sampling unit; a dust mass sensor; a gas volume measuring and regulating unit; electronic control; sampling pump; pump and chart recorder.

Samples of gas are collected by a sampling probe which is driven in an arc across the chimney by a small electric motor which ensures that the sample is representative under all conditions of flow. The sampling rate can be held proportional to the flow rate of the main stream by using interchangeable probe nozzles, and by adjusting the sampled volume flow velocity. Alternatively, for less critical applications, a fixed probe can be utilised.

The equipment is available in two versions—fixed installation and transportable.

## Electrons draw the circuitry

EXTRION Division of Varian has introduced what it says is the first commercially available electron beam lithography system having air-to-air mask and wafer handling.

Varian / Extrion Model EBMG-20, the new machine, has a four-position elevator in a vacuum chamber, which allows post-exposure curing of electron resists.

EBMG-20 has ability to expose any size mask up to six inches square. Hardware and software available permit direct exposure of wafers up to five inches diameter.

Varian/Extrion's experience in designing automated semiconductor fabrication equipment has been used to make significant improvements over first-generation electron beam lithography systems. These changes are aimed at ensuring high reliability in the production environment and simplifying system maintenance.

Varian, Steinhausenstrasse, CH 6300, Zug, Switzerland.

## Filters of high dirt capacity

FIELD TESTS show that a new cartridge has a dirt capacity several times greater than comparable existing ones says Pall Process Filtration, Walton Road, Portsmouth PO6 1TD (07018 70901).

It has just launched a range of high dirt capacity, non-fibre releasing, disposable cartridges which are manufactured entirely of polypropylene.

These are ideal for use in the great majority of critical applications including chemical processing and pharmaceutical and food manufacturing. Absolute removal ratings are from 1.5 to 40 micrometres for liquids, and from 0.2 to 15 micrometers for gases.

## Cuts thick materials

ABLE TO cut and to trim leather in thicknesses of up to ¼ inch, and rubber, plastics and hardboard to 0.08 inch thick with complete accuracy, says the maker, is a range of rotary guillotines from Rotatrim, 53 Belmont Road, Uxbridge, Middlesex, UB8 1SA (Uxbridge 38190).

The machines are hand-operated, and cutting accuracy is achieved by the provisions of a calibrated perspex rule, set permanently square along one edge of the rigid and warp-proof Formica-topped baseboard. A transparent clamping bar under which the work is fed to the blades allows easy sighting of the cut.

Operators safety is guaranteed because the design of the machine ensures that fingers cannot be placed between the cutting edges.

# MOTOR CARS



# COMPANY NOTICES

## GERMAN GOVERNMENT INTERNATIONAL 5½% LOAN 1930 (YOUNG LOAN) CONVERSION BONDS

Further to the notice concerning the above Loan, which was published on 20th November 1978 the Governor and Company of the Bank of England announce that Coupon No. 52 in respect of six months' interest due on 1st December 1978 are payable at the following rates:

| Nominal Amount of Coupon | Actual Amount at which Coupon is payable |
|---|---|
| £2:15.- | £9.13 |
| £13:15.- | £45.64 |
| £27:10.- | £91.27 |

The above values for Coupons have been established by the Bundesschuldenverwaltung with reference to paragraph (C) of Article 13 of the London Agreement on German External Debts dated 27th February 1953 and Article 2 of Annex 1 thereto. No further adjustment in the amounts payable has been made by the Bundesschuldenverwaltung since the adjustment which it made with respect to Coupon No. 51 due on 1st June 1978.

As announced in the Notice published on 20th November 1978 the Trustee has advised the Bank of England that it is unable to agree with the method of recalculation of the amounts due which is being applied by the Bundesschuldenverwaltung as from 1st June 1978. The rights of bondholders to any additional amounts which may become payable have therefore been reserved by the Trustee irrespective of whether coupons due 1st December 1978 are presented for payment or not.

In view of the possible adjustment which may be made at a later date, Collecting Agents should retain details of the holders of Conversion Bonds on whose behalf coupons are lodged.

BANK OF ENGLAND

1st December 1978.

## RHYTHM WATCH CO., LTD.

(Rhythm Tokei Kogyo Kabushiki Kaisha)

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDRs")

Notice is hereby given to holders of EDRs that Rhythm Watch Co. Ltd. paid an interim dividend of Y4.50 gross per Share on 28th November 1978 to shareholders on the Company's register at the close of business on 30th September 1978. This dividend has been converted to U.S. Dollars and amounts to US$22.78 gross per EDR.

Accordingly, Kleinwort, Benson Limited as Depositary informs holders of EDRs that they should claim their dividends by presenting Coupon No. 3 on or after 5th December 1978 at (a) the office of the Depositary, Kleinwort, Benson Limited, 20, Fenchurch Street, London, EC3P 3DB, or (b) the office of the Agent Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

Coupons must be left for three clear business days for examination, and may be presented on any weekday (Saturdays and public holidays excepted) during normal business hours.

Japanese withholding tax at the rate of 20 per cent will be deducted from the gross value of all dividends paid unless the EDR holder lodges, in a form acceptable to the Depositary, an affidavit of residence in a country having a tax treaty or agreement with Japan providing for a lower rate of withholding tax, in which case such lower rate will be applied.

The difference between the amount of withholding tax so deducted and the standard rate of income tax payable in the United Kingdom will also be deducted from all dividends paid in the United Kingdom unless holders of EDRs furnish the Depositary with the usual affidavits of non-residence in the United Kingdom.

KLEINWORT, BENSON LIMITED Depositary

London.
4th December 1978.

## THE THARSIS SULPHUR AND COPPER COMPANY LIMITED

NOTICE IS HEREBY GIVEN that a FINAL DIVIDEND for the year ended 31st December, 1977, of 6p per Share on the Capital of the Company will be paid on and after 28th December, 1978, to Shareholders registered in the books of the Company at the close of business on 5th December, 1978, and to holders of Share Warrants to Bearer as indicated below.

Holders of Share Warrants to Bearer in Great Britain or Northern Ireland must arrange for an Authorised Depositary to lodge Coupon No. 79 either at the Registered Office of the Company in Glasgow, or at Bank of Scotland, 30 Bishopsgate, London EC2P 2EH. Outwith the United Kingdom coupons may be lodged at any of the following offices:—

MM. Lazard Frères et Cie., 5 rue Pillet-Will, 75441 Paris.
Banque Vernes et Commerciale de Paris, S.A., 52 avenue Hoche, 75008 Paris.
Banque Générale du Luxembourg S.A., 14 rue Aldringen, Luxembourg.

Coupons must be listed in numerical order on the appropriate form obtainable at any of the above offices.

The dividend will be paid without deduction of United Kingdom income tax in the following circumstances:—

REGISTERED SHARES

(a) Where dividend warrants are sent to Members at their registered addresses outwith the United Kingdom or to their appointed agents outwith the United Kingdom.
(b) Where specific authority has been received from the Inspector of Foreign Dividends to pay without such deduction.

BEARER SHARES

(a) Where coupons are presented for payment in Paris or Luxembourg.
(b) Where coupons are presented for payment in the United Kingdom accompanied by the appropriate non-resident declaration forms.

Other dividend payments will be subject to a deduction for United Kingdom Income tax at the rate of 33%.

By Order of the Board
R. N. PETERS
Secretary

Registered Office:
136 West George Street,
Glasgow G2 2HF.
4th December, 1978.

## TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby give notice that Tenders will be received at the Chief Accountant's Office (Bank Buildings), Bank of England, London, EC2R 8EU, on Monday, 11th December, at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1967, to the amount of £25,000,000.

# LEGAL NOTICES

No. 003985 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Group "A." In the Matter of STYLO BARRATT SHOES LIMITED and in the Matter of THE COMPANIES ACT 1948. Advertisement of meetings to consider scheme of arrangement.

NOTICE IS HEREBY GIVEN that by an Order dated the 28th day of November 1978 the Court has directed a Meeting of the holders of the 144184 7 per cent Cumulative Preference Shares of £1 each of the above-named Company (hereinafter called "the Company") not beneficially owned by Stylo Shoes Limited to be ...

# LEGAL NOTICES

# INVESTMENT OPPORTUNITIES

## DIAMONDS FOR INVESTMENT

# ART GALLERIES

# CLUBS

## APPOINTMENTS

# Esso executive post changes

TRAFALGAR INSURANCE, a member of the Cornhill Insurance Group, has elected Mr. D. R. Mead a director.

★

Lord Garnock and Mr. Illtyd Harrington have been reappointed as members of the BRITISH TOURIST AUTHORITY. The appointments are for a further year until December 31, 1979.

★

ROYAL INSURANCE has appointed Mr. G. N. Sellers, group marine claims adjuster, to be a deputy marine manager from January 1.

★

HOLIDAY INNS has made three corporate officer appointments. Mr. Eric Bernard, president of the Hotel Group, becomes a corporate senior vice president. Mr. Nicholas Biro is named corporate vice president, public relations and communication, a new post, and Mr. J. Richard Welton is appointed corporate vice president and associate general counsel.

★

TUTOR SAFETY PRODUCTS, which has joined Rentokil Limited, will be headed by Mr. Brian Porter, general manager of the products division since 1977. Mr. Norman Wallis, founder of Tutor, will act as consultant in the further development of glass fabrics as an alternative to asbestos for fire prevention, insulation, and filtration. Other appointments are: Mr. Tony Brown as industrial sales manager; Mr. John Dickson as retail sales manager; and Mr. Alan Richards as manager of the factory at Sturminster Newton.

★

Mr. George Harvey, a regional manager, Africa and Middle East regional office in London, of NATIONAL WESTMINSTER BANK'S International Banking Division, has been appointed manager of Tokyo Branch. He succeeds Mr. John Miller, who is taking up an appointment in the UK following completion of his tour of duty.

★

GEO. BASSETT HOLDINGS has appointed Mr. John Fountain to the Group Board with effect from Monday, December 4. He will assume responsibility for all the Group's subsidiary companies engaged in transportation, the manufacture of specialist foods, and those trading in the leisure industries.

★

Lieutenant Commander R. M. Woodgate, RNR, is to take charge of the ROYAL NAVAL RESERVE COMMUNICATIONS TRAINING CENTRE, Coventry, with effect from November 6. Lieutenant Commander Woodgate, who is a chartered accountant, is assistant secretary of the Wesleyan and General Assurance Society in Birmingham.

★

SUPER STORK (INDUSTRIAL POWER TOOLS) (formerly Marron Machines), of Edgware, Middlesex, has appointed Mr. Ronald Grant, its accountant, to be financial director with effect from December 1.

★

Mr. Roy Trayhern, formerly product group controller with Lilia-White, the Birmingham-based hygiene products division of the Smith and Nephew Group, has been appointed director/general manager of SMITH AND NEPHEW—IRELAND.

★

Lord Todd, emeritus professor of chemistry at Cambridge University, has been re-elected president of the ROYAL SOCIETY COUNCIL.

Mr. John Rankin, QC, has been re-appointed deputy chairman of the Local Government Boundary Commission for England for a further three years from December 1.

★

Two re-appointments to the NATIONAL WATER COUNCIL with effect from January 1 are: Mr. J. A. C. Humphries, solicitor, chairman of the Water Space Amenity Commission, and Sir Francis Pemberton, chartered surveyor, director of Agricultural Mortgage Corporation.

★

As a result of a decision by ESSO PETROLEUM to form a marketing and logistics division,

Mr. A. W. Forster

the following appointments are to be made: Mr. A. W. Forster at present vice-president of Esso Europe Incorporated will become effective January 1, a managing director of the new division, reporting directly to Dr. A. W. Pearce, Esso Petroleum's chairman and chief executive. Mr. P. G. Hall executive director, has accepted an assignment with ESSO EUROPE as a vice-president, effective January 1, succeeding Mr. Forster. Mr. R. E. Lintott will be appointed as executive director, logistics, on or shortly after January 1, succeeding Mr. Hall.

★

Mr. J. R. Gunn has retired from the Board of BPB INDUSTRIES.

★

Mr. A. A. Bissett has been appointed to the Board of EDINBURGH SECURITIES.

★

Because of the growing significance of the Middle East, Mr. Donald Guenther, vice-president of ROCKWELL-COLLINS INTERNATIONAL and regional director middle east, international and government marketing, has established residence in Riyadh. He has hitherto been headquartered in Dallas. In addition to this move, Mr. Alton Parker has been appointed director, marketing development for the middle east. Mr. Parker has been based in Riyadh over two years serving as area director for the Riyadh region.

★

Mr. Rod Gunner has been made managing director of the ROBERT STIGWOOD GROUP. This follows the resignation of Mr. Charles Negus-Fancey. Mr. Roger Forrester has been appointed to the main Board of the Group.

## CONTRACTS

# Orders for Optimisation

Contracts collectively worth more than £¼m have been awarded to OPTIMISATION of Bishops Stortford, Hertfordshire. These orders from national chain and departmental stores, are for a wide range of consumer electronic products, including low cost programmable TV games, microprocessor chess computers and electronic toys.

★

MERROL FIRE PROTECTION of Bilston has won three contracts involving in-rack sprinkler systems, which involve a network of sprinklers to allow goods to be stacked to a much greater height than would normally be permissible with fire sprinkler protection. The contracts, worth together more than £300,000, involve work at Cambridge University Press, Cambridge; Book Club Associates, Swindon; and L'Oréal, Llantrisant.

★

FARNELL INSTRUMENTS has received an order from Plessey worth around £¼m for the supply of d.c. to d.c. converters to be used in PDX private telephone exchanges.

# The week in Parliament

TODAY

COMMONS—Motion on Public Accounts Committee 1977/78. European Assembly Constituencies Orders.

SELECT COMMITTEES

Education, Arts and Home Office sub-committee. Subject: Women and the penal system. Witnesses: National Association for Care and Resettlement of Offenders, Howard League for Penal Reform. 4.15 p.m. Room 16.

TOMORROW

COMMONS — Education Bill, second reading. Motions on Social Security (Contributions, re-rating) Order and (Earnings Limits) Amendment Regulations.

LORDS — Scotland Act (Referendum) Order. Land Registration (Scotland) Bill, second reading.

SELECT COMMITTEES

Nationalised Industries. Subject: British Aerospace report and accounts. Witnesses: British Aerospace report and accounts. Witnesses: British Aerospace. 4 p.m. Room 8.

Defence and External Affairs sub-committee. Subject: Overseas representation. Witnesses: Foreign Office. 5.15 p.m. Room 16.

Science and Technology, Technological Innovation sub-committee. Subject: Technological innovation. Witnesses: Central Resources Unit of the Glynwed Group. 5.20 p.m. Room 15.

WEDNESDAY

COMMONS — Public Lending Right Bill, remaining stages. Motion on Northern Ireland (Emergency Provisions) Act continuance Order.

LORDS—Debate on importance of improved relations with China. Debate on code of industrial practice covering procedures for trade union recognition and procedures prior to industrial action.

SELECT COMMITTEES

Social Services and Employment sub-committee. Subject: Perinatal and neonatal mortality. Witnesses: Department of Health and Social Security. 4.30 p.m. Room 8.

Environment sub-committee. Subject: Redevelopment of London's dockland. Witness: Mr. Peter Shore, Environment Secretary. 4.30 p.m. Room 16.

Parliamentary Commissioner for Administration. Subject: Land Compensation Act. Witness: Sir Peter Baldwin, Permanent Secretary to Department of Transport. 5 p.m. Room 7.

THURSDAY

COMMONS—Civil and defence votes on account and winter supplementaries. Debate on unjust and arbitrary use of sanctions on industry.

LORDS—Public Records (Amendment) Bill, committee stage. Social Security (Contributions) re-rating Order. Debate on report of Committee on Contempt of Court. Debate on further measures to protect animals, particularly live animals for slaughter and horses.

FRIDAY

COMMONS — Private Members motions.

## The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

**Jeremy Dodd** on changing attitudes to the traditional way of handling redundancies

# Why Japan may soon put the squeeze on golden handshakes


IN JAPAN there is a long tradition behind the idea of the "golden handshake." It has always been a useful device for improving the efficiency of a firm without upsetting the web of complex relationships between the owners and the workers.

Now, with an increasing number of firms finding it hard to sustain their traditional rates of growth and an ever increasing wages bill leading them to boost productivity still further, there is an intense debate in both industry and government about the need for a reappraisal of the traditional way of handling redundancies.

Behind the discussion lies the dramatic transformation of the Japanese labour market in the last five years. From 1965 to 1973 there was a severe shortage of workers, fluctuating from 13 to nearly 22 per cent of the number actually employed. Since the oil crisis, the shortage has gradually eased, while unemployment has risen—by an annual average of 10 per cent over the last three years—to a current figure of at least 1.3m. The position of women workers is particularly bad; female unemployment has increased by about a third over the last year.

Japan's traditional redundancy system is more complex, more costly and indeed more personal than in Britain. It can be far more expensive than, for example, the much publicised British Steel "golden handshakes." The concern of a company for redundant workers is sometimes quite open-ended, in a high-minded but paternalistic way which reflects the different norms and values of Japanese industry.

Many Japanese firms—probably at least a quarter—still follow traditional patterns in their management and handling of surplus labour. This applies to virtually all the larger firms—those with great efficiency and great traditions.

Their subsidiaries, suppliers, distributors and associated companies being as it were, of lower rank, will be less able to provide quite so much support to surplus employees, and minor firms subcontracting for them will be able to do very little.

Traditionally, in almost any sort of company, employers and employees have lived partly on the expectation that past loyalty will, in some way or other, be rewarded. Even if these moral obligations of paternalism have to be postponed, the dismissed employee may be taken on again or even his sons in his place; the supplier may be kept in business with token orders.

Some of the newer firms which subscribe to American management ideas, may give very limited compensation, but there are no exact statistics on such management styles in the complex world of industrial Japan.

For most firms, the first step in dealing with surplus manpower is to find ways of keeping such workers on the books, but underemploying them.

For its part, the Ministry of Labour is trying to reduce the numbers of unemployed by popularising the five-day week (in place of the usual five and a half plus); by calling for a reduction in overtime working; and by promoting the idea of longer paid holidays (apart from national holidays, the national average is eight days a year, though large companies average 11½). This campaign of official encouragement is being directed at both management and workers, so that employees will put pressure on their companies for changes of this sort.

The second step for most companies is to try to get associated suppliers or dealers to take on the surplus manpower—probably at a reduced salary or wage.

Thirdly, attempts will be made to secure individual agreements with workers on their early retirement. This will follow a *round of discussions with the* company union to set levels for "average" workers.

There is no fixed age for normal retirement, but it is certainly earlier than in most European countries, with almost half retiring at 55 and a third at 60. Only 3 per cent stay on until 65. Those who retire after 66 years of age are probably the home workers who still live, in many instances, in specially adapted houses incorporating weaving, dyeing, papermaking or other craft activities. There is no pattern of men retiring later than women; this is a European tradition which is strange to Japanese eyes.

A typical age for early retirement is 45, with the company pension calculated on the basis of theoretically working on to the age of 55. The worker will continue to receive his biannual bonus for that 10 years, which could give him as much as four years extra basic salary. Further inducements may be added in some enviable cases. Even the emotional bond to the firm remains and the ex-employees may be taken on again full or part-time if conditions allow it. They provide a valuable reservoir of skills.

Finally, if there is no alternative to dismissals, lengthy negotiations with the company union will take place to determine what the level of compensation should be. This solution is shunned, if at all possible, as it would normally be the most expensive; severance pay will often be as much or more than the cost of retiring workers early.

Dismissal also suffers from the twin disadvantages of creating hostility and laying the firm open to protracted lawsuits, with perhaps heavy damages at the end of the day. It could take years before the case even gets into court and legal costs are high.

Where possible, the larger firms will take advantage of a short-term semi-governmental "tide-over" system, whereby workers are provided with 60 per cent of their basic wage for up to 100 days—the cost is shared equally with the state if the firm is larger than 300 strong in manufacturing, 100 in wholesaling or 50 in services. Smaller enterprises need only pay one third. During this period workers stay at home.

Where the worker is dismissed there are two safety nets. The first consists of unemployment pay limited to 300 days for those over 55, graduated down to 90 days for the under 30s. This is equivalent to 60 per cent of basic wages for the high paid, 80 per cent for the lower paid.

Where there is no alternative, such as family or other support and the case is one of hardship, a much smaller benefit can be paid. It is claimed that swindlers are excluded by a series of tough barriers. The number of recipients of this type of benefit is only a fraction of those receiving supplementary benefit in Britain, though the official Japanese unemployment figures are almost as high as the UK's—higher on some counts.

The philosophy implied in these measures is one of temporary help for a limited period, while the traumatic effects of "cut-off" from the company are weathered—with the expectation that the able bodied will find work, create work or be helped by their family, old schoolmates or people who were brought up in the same district and have since made good.

This approach is intended to stimulate activity and self-help in the thinking man and woman, rather than be a steady support.

The debate on how to meet the unemployment problem seems to be moving slowly towards a consensus. There is a growing feeling that an open-ended company commitment to life-long support may no longer be tenable. The unions will resist radical changes, but there are signs that they might accept something like a modest proposal to pay retirement money on the basis of a maximum work period of 33 years.

Resolution of this issue would help answer a second question: will the rationalisation taking place within an increasing number of companies reduce the resilience, for which the Japanese economy is famed? Or will it restore competitiveness and stimulate re-employment?

*The author, an architect, landscape designer and writer, has spent a total of 10 years in Japan, working with local construction companies and building product manufacturers.*

# The growing social pressures on European business

THE GROWING demand for greater disclosure of information by companies is fast becoming the biggest social pressure on European business. In a survey of nearly 500 chief executive officers in 11 European countries 86 per cent said there had been increasing pressure for more disclosure over the last five years.

This wide-ranging survey,* conducted by Management Centre Europe, shows that throughout Europe there have been major changes in attitudes towards what might be described as corporate social responsibility, and that companies are devoting more top management time towards reconciling the social and economic claims on their business.

Many companies have also made changes in their organisations in response to these pressures.

The survey also reveals some particularly pessimistic views on unemployment held by the executives. Across Europe, 90 per cent said they believed present levels of unemployment would continue. The most pessimistic countries were Belgium, Germany and the United Kingdom, where every respondent suggested there would be no improvement in the level of unemployment in the foreseeable future.

## Safety

After disclosure of information, the next area to come in for increased social pressure was improvement of the physical working environment. Over the past five years 82 per cent of the chief executives reported more demand for improvements in safety and lighting at the place of work.

At the other end of the scale, making least impact, is the shareholder. Only 31 per cent of the sample believed that there had been an increase in pressure from this group, and although two thirds said there had been no change, 3 per cent reported a decrease in pressure.

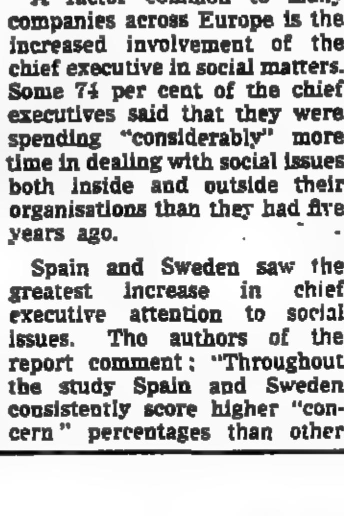
The changing aspirations of minority groups were not regarded as a serious pressure on companies at present, *reports* the survey. Across Europe only 8 per cent said there had been a marked increase in demands from minority groups. The exception was Spain, where 54 per cent said there was an increase in such pressure.

Similarly, questions on the monitoring of information of social issues revealed that minority groups were at the bottom of the list. Only 26 per cent of companies reported any regular gathering of information on this group.

Government legislation on corporate affairs attracted the highest response, with 66 per cent of companies stating that they collected regular intelligence; a figure which seems surprisingly low. Fifty-one per cent of companies said they followed environmental issues closely.

Nearly half the companies reported that they had made changes within their organisation to "meet the challenge of new social and political pressures." Norway topped this list, with 78 per cent of companies reporting organisation changes. This was followed closely by Spain (71 per cent); although, as the authors of the survey point out, the changes in Spain are far more basic in European terms.

Other responses to the question on organisational changes were: UK (61 per cent); Denmark (60 per cent);



John Humble, joint author of the survey on "Corporate Social Responsibility"

France (57 per cent); Sweden (50 per cent); Belgium (41 per cent); Italy and The Netherlands (37 per cent); Germany (32 per cent) and Switzerland (12 per cent).

A factor common to many companies across Europe is the increased involvement of the chief executive in social matters. Some 74 per cent of the chief executives said that they were spending "considerably" more time in dealing with social issues both inside and outside their organisations than they had five years ago.

Spain and Sweden saw the greatest increase in chief executive attention to social issues. The authors of the report comment: "Throughout the study Spain and Sweden consistently score higher "concern" percentages than other countries — although it must be emphasised that, with Sweden, we are talking of business action and reaction in an advanced social state, with well developed social and worker protection laws.

"In Spain, the recent liberalisation following the end of the Franco era has brought instant freedom to a growing technological workforce." Into a few short months had been telescoped what had taken 40 or 50 years to evolve in other Western nations, the authors argue.

"It is no wonder, in the present climate, that Spain's business leaders find themselves highly concerned with social issues, and coupled with the demands for total industrial democracy they must figure as the major issues of the present time in that country."

## Social audit

By contrast Germany and the UK were at the bottom, with the lowest proportion of replies indicating that chief executives were spending more time on social and public issues.

Again, companies in Germany and the UK also showed the least interest in making a formal study or audit of their social responsibilities. In these two countries just over 20 per cent of the companies had carried out any form of study, compared with a European average of 38 per cent.

Of those companies in Europe which had carried out a social audit, three-quarters cited "protecting long-term profitability" as their most important motivation. The second main reason was "to ensure optimum use of company resources."

Belgian companies scored highest—in quantitative terms—on communicating social policies, plans and company achievements to their employees, with 94 per cent of companies doing so, compared with a European average of 78 per cent. Germany came second with 92 per cent of companies. Italy scored lowest with only 58 per cent. In the UK the figure was 69 per cent.

Forty-five per cent of the companies—and this was consistent country by country—said that institutional investors and financial analysts were asking more questions about the company's social policies than three years ago.

** Corporate Social Responsibility by John Humble and Michael Johnson is available from Management Centre Europe, Avenue des Arts 4, B-1040 Brussels, Belgium, price BFr 1,500.*

**Jason Crisp**

# Information disclosure under the microscope

THE Social Science Research Council is to spend £50,000 over the next two years on four related studies into current and future patterns of disclosure of company information to trade unions and employees.

The work being supported under the programme covers empirical studies of current practices and attitudes to disclosure, on such matters as company finances and work organisation. The SSRC says the findings of the research "should help to develop an understanding of the organisational, industrial relations and other changes necessary to improve the range and effectiveness of information disclosure."

The largest of the four awards (£17,986) has been given to two members of Kent University, for a study into "the implications of information disclosure for domestic collective bargaining and wider trade union and management relations.

Next largest (£15,000) is that to a member of the Anglian Regional Management Centre, for a study of the effects of voluntary and what is termed "reluctant" disclosure policies.

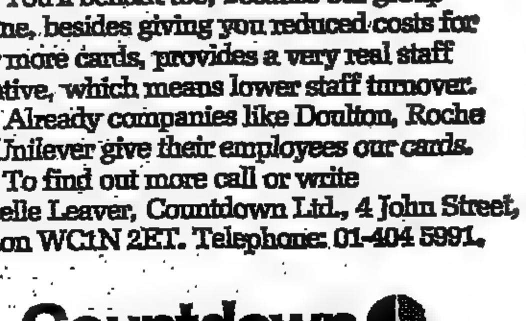
Third, to a member of Ruskin College, Oxford, goes £11,961 for research into the constraints on acquisition and use of company information by trade unions.

Finally, three members of Edinburgh University have been given £4,686 to study and compare the changing disclosure practices of five firms.

The Edinburgh group's research will be conducted in two stages. Stage one, consisting of an examination of four firms in different branches of industry, will be broken into three parts: an examination of each firm's history; a study of current disclosure practices, mainly of financial information; and a study 12 months later to see if practices and attitudes have changed.

Stage two will involve an additional firm, in which a policy of disclosure is, in the words of the SSRC "being vigorously pursued."





LOMBARD

# Backlash against the West

BY JAMES BUXTON

THERE ARE some disturbing lessons for Britain and the other western industrial countries in what is happening in Iran. A wave of strikes leading to big pay increases is causing cutbacks in the development programme. Several enormous schemes now seem doomed, including plans for more nuclear power stations and some lavish military projects. The political turmoil is partly being blamed on economic mismanagement and on a strategy that greatly underestimated the complexities of fast economic growth and put large-scale prestige projects ahead of mundane needs like housing and agriculture.

### *Misguided*

The western countries, which have supplied most of the imports for this misguided strategy, are having to face an outburst of popular feeling in Iran against western goods and against the whole concept of fast economic development. An influential Iranian banker, spelling this out to a meeting of the Irano-British Chamber of Commerce in Iran recently, said that although he expected Iran's economic relationship with Britain to continue it would develop more slowly: at its lowest, he indicated, it consisted of Britain supplying spare parts for its machinery in Iran and educating Iranians at its universities—not quite what all those British trade missions to Iran over the past five years had in mind.

That may be too pessimistic a view, but the same disenchantment with development could become a political force in some of the other states that have enjoyed fast growth since the 1973/74 oil price rise: for example, the low population Arab oil states on the other side of the Gulf, or the non-oil-exporting states like Egypt, Sudan and North Yemen.

In both groups of countries a flood of money has caused potentially disruptive social change. Several of the oil states were relatively under-developed before the boom, but now that growth is less hectic their indigenous inhabitants are beginning to resent what they see as waste of resources, as well as the influx of foreign workers. In the poorer states with bigger populations some of the setbacks in, for example, agricultural projects are starting to breed disillusionment. It is often expressed in the same longing for a return to basic Islamic principles and resentment of the West that can be seen in Iran.

The Western countries get the blame when, as in Iran, things go wrong. Unfortunately they sometimes deserve it. When the priority in the West was the recycling of oil revenues one did not hear much questioning by the industrial countries of the advisability of, for example, Iran or Saudi Arabia going all out to absorb as much income as they could. Even before the oil price rise President Nixon took the decision to allow Iran to buy military weapons that were extremely advanced even by Western standards. Middle East countries often feel they have been "ripped off" by individual Western companies: that they were told what they wanted to hear in feasibility studies; that they have been sold unnecessarily complicated equipment that requires excessive maintenance and often the permanent supervision of costly expatriates; and that in some cases confidence tricksters have been at work.

It is useless for companies to argue that if they had high-mindedly refused to sell some over-complex piece of equipment to a country that wanted it someone else would have done so instead: or that cost overruns may be due to problems in the developing country itself—like port congestion, weak infrastructure and bureaucratic inefficiency.

### *Long term*

Companies have to bear the standard for the Western countries and there is no easy way they can be certain of avoiding trouble. But they should be more conscious of the need to develop a long-term relationship with the developing country they are in. This means, among other things, promoting projects which are not simply a means of generating work and profit for Western factories, but are in the long-term interests of the country concerned. Fortunately a good many companies in the Middle East have followed this approach; they should be better able to weather any new backlash against the West.

THE WEEK IN THE COURTS

# A losing majority

BY JUSTINIAN

LITIGANTS WHO take their disputes through the gamut of the courts may find that the ultimate winner in fact has acquired fewer judicial votes on his way to the final court of appeal than his unsuccessful opponent. That situation led Lord Scarman, in a recent House of Lords case involving the rights of a worker to compensation for being involuntarily transferred from one employment to another, to express regret at so quirkish a result. Although the fault for the division of judicial opinion was laid at the door of the legislature, the existence of dissenting judgments in appeal courts contributed.

The case of *Tuck and others v. National Freight Corporation* is by no means unique. Mr. Justice Donaldson, who heard the case originally in the High Court of appeal from an Industrial Tribunal reversed the decision of that body and found for the workmen; he was upheld by three judges sitting in the Court of Appeal. In the House of Lords two Law Lords said that the Court of Appeal was right, but three others agreed with the Industrial Tribunal, and by the odd vote they won the day. But in the process six judges had held a contrary view. The three claimants who sought to be protected against prejudice or loss resulting from an involuntary change of job can feel some sense of grievance at the arithmetical quirk of the appellate process.

On the face of it the occurrence of minority (or dissenting) judgments allowed to judges sitting in the appeal courts seems to undermine the arguments for having a two-tier system of appeals — in this case three appeals if you count the appeal to the single judge from the Industrial Tribunal. So long as a litigant has available only one appeal from the decision of a single judge to a court of three judges, his opponent can never be deprived of his judgment by a minority of judges. If there is a dissentient voice in the appeal court, the most that the winner in the lower court (but loser in the appeal court) can claim is a judicial tie.

It is the existence of the House of Lords that potentially creates the situation whereby a minority of judges can effect a victory for a litigant against the majority of all the judges who have heard the case. And it matters not what the number of the judges in the second appeal court may be. It is the mere existence of dissent at the ultimate stage of the judicial process that produces the arithmetical quirk.

If minority decisions were a rarity, the occasional litigant who suffered under them could no doubt properly be asked to bear the burden for the sake of a sound system that allows for two appeals in limited important cases. But in nearly 10 per cent of the appeals to the House of Lords a minority of judges, but a majority of Law Lords who sat on the case in the House of Lords, decided in favour of the appellant in the House of Lords. This phenomenon of our appellate system has led to some legal commentators recommending the abolition of the House of Lords as a final court of appeal, leaving the Court of Appeal as the one and only appellate court.

## Disgruntled

Any feature of a legal system that increases the number of disgruntled litigants must be the object of criticism. If a few groans must be stoically suppressed for the benefit of the community there is no reason why the burden on the aggrieved individual should not be lightened. The three claimants who had persuaded four lower court judges that they were right, but lost 3-2 in the House of Lords, were ordered to pay the National Freight Corporation their costs both in the Lords and in the lower courts.

Why should not an unsuccessful respondent to an appeal in the House of Lords (particularly if both lower courts unanimously decided in his favour) be relieved of the burden of his ultimately successful opponent's costs? If, of course, the respondent is legally aided the problem does not arise. But a non-legally aided respondent should not be obliged to pay substantial costs for the doubtful privilege of being not only pipped at the post but defeated in an arithmetically anomalous manner.

Since in the National Freight Corporation case the fault lay with Parliament in the lax manner of its draftsmanship, the case is overwhelming for the country to bear the costs of exhausting litigation. The courts were asked to give a meaning to the phrase "any worsening of his position" in the context of section 135 of the Transport Act 1968, a section which provides for the payment of compensation to employees who have suffered loss properly attributable to certain events in the reorganisation of the nationalised transport industry effected by the Act. The statute did not define the phrase, although it had pages of interpretation of simple words like emoluments, officer and office.

The three claimants had for many years been employed by the British Railways Board, then organised in three divisions — railways, freightliner, and rail sundries. None of the three divisions had a separate legal entity. In 1968 it was decided to hive off the Board's road transport activities into two bodies quite separate and distinct. Two new companies, Freightliners Ltd and National Carriers Ltd, were created and in turn were made subsidiaries of a new public authority independent of the Board and called the National Freight Corporation. The problem arose because since the date of the transfer, at the end of 1968, British Rail employees have had more success with their wage settlements than employees of the National Freight Corporation and its subsidiaries into which the three claimants were transferred. The question was whether the worsened position of the three claimants was to be compared with their previous terms and conditions of employment. If that was the right comparison, the three claimants are better off now than they were at the date of their transfer from British Rail, and as well off as they have ever been since transfer—subject, of course, to inflation which could not be said to be properly attributable to any events relating to their transfer from British Rail.

The claimants claimed, on the other hand, that they were not pegged to a comparison with their position as at the date of transfer in 1968. If they could prove a subsequent worsening of position compared with their previous position as employees of the National Freight Corporation (and they could do so between October, 1972, and October, 1974) they were entitled to compensation, even though, after the worsening, they remained better off than they were at the date of transfer. In essence the problem was: with what is the employees' position to be compared for the purpose of determining whether it has worsened? On that crucial matter the judges had to discern the intention of Parliament. As Lord Scarman observed, on that matter the silence of the legislature was deafening.

TENNIS BY JOHN BARRETT

# Hutchins' team faces critical three days

THE IMMEDIATE future of British tennis will turn on the outcome of three days of Davis Cup matches in the middle of the California desert this week.

For, if Paul Hutchins' team of John and David Lloyd, Buster Mottram and Mark Cox can win at least three of the five rubbers against John McEnroe, Brian Gottfried, Stan Smith and Bob Lutz, a wave of enthusiasm for the game within these shores will be released that will make the euphoria that surrounded the recent Wightman Cup win pale into insignificance.

Of course, the Americans will start as favourites. McEnroe and Gottfried, who are expected to fill the single berths, are ranked sixth and seventh on the Association of Tennis Professionals' computer. Mottram is ranked 23rd and John Lloyd 32nd.

Smith and Lutz are the most experienced final round doubles players America has ever produced and together they scored the cup-winning victory in 1968, 1969 and 1970. Furthermore, in the two succeeding years Smith established a unique American record by clinching the cup with singles victories. By contrast this will be only the third Davis Cup tie that Cox and David Lloyd have played together.

The weight of history points to an American win. Since the massive silver punchbowl was first presented by Dwight Davis in 1900, for annual competition between the nations of the world, the Americans have been successful on 24 occasions and this years marks their 50th appearance in the challenge round or the final. The British have contested 16 previous finals and wone nine times.

Not surprisingly with the special three-day format for Davis Cup ties—five rubbers with two crossed singled on the first and last days with the doubles in between—the successes of all nations have coincided with the career peaks of one or two outstanding individuals.

The seven successive U.S. wins between 1920 and 1926 was the era of Big Bill Tilden and Little Bill Johnston. Their two pre-war wins in 1937 and 1938 were built upon the expertise of Donald Budge and Bobby Riggs. In between these American eras the four musketeers of France (Jean Borotra, Henri Cochet, Rene Lacoste and the late Toto Brugnon) ruled for France from 1927 to 1932. Fred Perry and Bunny Austin were responsible for Britain's golden age between 1933 and 1936.

Whether 23-year-old Mottram or John Lloyd, who is one year older, is in the process of becomming as dominating a figure as Perry is a matter for conjecture. Certainly, both Mottram and Lloyd are still improving and they have played with commendable spirit and purpose all season—notably Mottram in two awkward matches against Yannick Noah and Eric Deblicker in Paris and Lloyd against Jiri Hrebec in the tie against Czechoslovakia at Eastbourne.

That they should both have reached peak form together on the opening day of the semi-final against Australia at Crystal Palace nine weeks ago is perhaps a good augury.

I don't believe I have seen either man play with such susttained brilliance and determination as Mottram did against Roche and Lloyd did against Alexander that day. Nor am I too dismayed by the fact that Lloyd's last four tournaments have ended in the first round. He is a man in love and the object of his affection, Chris Evert, who seems inspired by the situation herself, will be in the British corner in Palm Springs.

## Advantage

It must be to Britain's advantage that McEnroe—impressive as this 19-year-old's record is, with four tournament wins since the U.S. Open in September and nine appearances in the semi-final in successive Grand Prix tournaments—has never played a Davis Cup singles.

His sole experience of cup competition was a winning doubles with Gottfried in the 3—0 win against Chile last September. McEnroe will find, as everyone does, that the fact of representing your country in singles creates special pressures. Although he might reasonably expect to beat either British man if this were a tournament, I shall not be surprised if one of them defeats him this week. Nor will his late arrival in Palm Springs—he is expected today or tomorrow—help his preparation.

In his four appearances for America since 1976 Gottfried has won five singles rubbers and lost three. The second ranked American is not enjoying the same success this year as he did last, when he reached 15 Grand Prix finals, winning five.

If indeed the U.S. captain, Tony Trabert, decides to give Gottfried his first final round outing, he must be vulnerable. Lloyd is even with him at two matches each, the last of which was a Gottfried win in the opening round at Wimbledon this year. Mottram has played him only once, at Baltimore in 1977, when the American was the victor. Neither British man has yet met McEnroe.

Perhaps the biggest influence on the result might be court surface. The composition centre court at the Mission Hills country club near Palm Springs has been sandblasted over the weekend to remove bubbles which appeared after the Colgate Women's final last month. It is certain to play fast.

This will favour McEnroe's serve and Lloyd's aggressive game, and will work against Mottram, who favours defence. Although Gottfried would prefer something slower he can serve and volley adequately and will be relatively at ease.

As always, the doubles match will be crucially important to both teams. Despite the vast experience of Smith and Lutz, they are probably on the decline, while Cox and David Lloyd are brimming with belief and ambition after their successful outings against Kodes and Smid (Czechoslovakia) and Case and Master (Australia). At their best they could beat any pair in the world and I expect their enthusiasm to bring them another victory this time. If they do, it could decide the fate of the cup itself.

The British team, assisted by trainer Roger Becker and physiotherapist John Matthews, have been practising long and hard for a week and running daily, too. They had a day off yesterday, spent on the golf course and aboard the aerial tramway that ascends nearby Mount San Jacinto.

SOCCER BY TREVOR BAILEY

# Best team doesn't always win—as England victory proves

ONE OF football's greatest charms is its unpredictability, which is, of course, why those so-called certain bankers on the pools regularly come unstuck. In any sport a player, or a team will have an off-day, fail to adapt to the conditions, be unlucky with injury, or find the opposition playing above itself.

However, what makes forecasting the result of a soccer match so much more difficult than, for example, the outcome of a game of tennis, is that the team which shows the most skill, creates the most opportunities and is clearly the best side at that time will still not win, if it is unable to put the ball into the back of the net, and will lose, if the other side are able to snatch one at the other end.

There were two perfect examples of the more accomplished side coming off second best last week. On Wednesday, Czechoslovakia gave the England 11 a lesson in control, movement off the ball, accurate passing and style, but ended up losing 1—0; while on Saturday Liverpool suffered the same fate at Highbury, when they lost by the identical score.

There were several remarkable similarities in these two games. By half-time at Wembley, Czechoslovakia deserved to be leading by at least two, probably three, goals. They had not only elegantly carved their way through a plainly bewildered defence, but also fired in a number of shots which would have produced goals, if Shilton had not brought off a series of remarkable saves, including two which were truly sensational.

After the interval, England did become more positive and then the Czech 'keeper failed to gather a fierce drive to the near post from Currie as he cut in from the right wing following an overlap with the naive, but so promising, Anderson and the loose ball was bundled into the net.

In the first half at Highbury, Liverpool dominated the proceedings and, like the Czechs, used intelligent first-time passing to colleagues running quickly into open spaces to very good effect. Although they did not create so many clear-cut scoring chances, Jennings was forced to make one marvellous save from Dalglish.

Against the run of the play, a break down the wing by Arsenal, which also involved an over-lapping full-back, led to a strong shot to the near post. Clemence — ironically Shilton's chief rival for, and until now the man in possession of, the England job as No. 1 'keeper—failed to gather the ball and a goal resulted from the ensuing melee.

Despite heavy pressure, after the interval by the Merseyside machine they, like the Czechs, sought in vain to beat a world-class goalkeeper. We breed more very good ones in Great Britain than anywhere else in the world, probably because no side can hope to be successful in a long campaign without one.

Another reason why the visitors in both these matches went away defeated was the splendid work of the respective home centre backs, Watson and O'Leary. Both covered the errors of their colleagues quite brilliantly, broke up raid after raid with their tackling, heading and interceptions.

## Ineffective

As the inside left of a disappointing and ineffective midfield quartet, in which Barnes dribbled his way into trouble, Wilkins appeared to have lost confidence, hardly surprising for a member of the present Chelsea 11 and Coppell was largely invisible. Currie performed wonders for England, not the least being the number of times he came to the rescue of his hard-pressed rearguard during the first half.

Arsenal's most effective half back was the exciting Brady, who also operated in the inside left position of a four-man half back line, assuming one considered Rix as a member of that quartet rather than as a winger. Brady, a young Irishman, has enormous talent, was far cleverer and displayed considerably more imagination than any of the classy Liverpool halves. He has everything required to become a great player, providing his self-control can match his ball control.

## Dependent

The game had hardly started when Brady became needlessly embroiled in an incident in which he was not even involved. Later having been quite fairly robbed, he managed to tread painfully on the tackler's leg, carried on a running feud with both Souness and Case for the whole of the afternoon and was lucky to receive only a yellow card.

For a lightly built player with exceptional skill, Brady needs, and still expects, protection from the referee, but if he continues to play as he did against Liverpool he must be in danger of either being sent off or being deliberately done by an opposing "hatchet man," and at the moment he simply invites trouble, which is both stupid and a pity.

In the early, and more cynical days of Leeds United, when they were fighting their way, often literally to the top, one can think of several members of that team who would have automatically have destroyed Brady in the opening five minutes.

This would, of course, automatically have had a bad effect on Arsenal who depend so much upon him, as was seen when they lost the FA Cup after he had had a poor game. The Gunners are close to becoming one of the best teams in the land, but if Brady does not keep out of trouble, they could well not make it.

RACING BY DOMINIC WIGAN

# Farmers Choice should score

JOHN FRANCOMBE, a 2-1 chance with Victoria Sporting to regain the jockeys' championship, may gain some compensation for a disappointing day at Chepstow, where he took a tumble from Ramblix, by getting back on the winning trail on Farmers Choice at Folkestone this afternoon.

The Reg Akehurst-trained Farmers Choice, among the runners for Division One of the Penshurst Novices Hurdle, showed promise when a close fourth behind J. O. Reed at Windsor early last month on his hurdling debut. It came as no surprise to many when he beat J. O. Reed and 17 others with authority at Leicester, and I take him to follow up at the chief expense of Limit Up and Prince Yoyo.

There appears to be another sound bet in the form of Peter Cundell's Cooch Behar in the Sissinghurst Amateur Riders' Handicap. This ex-Irish six-year-old has settled in well since making his last appearance in a Down Royal hurdle won by the Champion Hurdler, Monksfield.

Principal news in the Racegoers' Club's winter newsletter is that it has taken over the annual Racehorse of the Year awards. Given formerly by the Racehorse Association and introduced in 1965, the Racehorse of the Year award for flat racing, with its equivalent, the National Hunt Champion award, are established as the premier polls to determine the top horses each year.

Responsibility for voting, administration and presentation of the trophies will be taken by the Racegoers' Club. The voting panel of 40 racing journalists will continue to decide the awards, and a special prize will go to the horse most favoured by club members should their view differ from the panel's.

The newsletter also gives details of the Racegoers' Club's visit to Cagnes-sur-Mer, leaving on February 23 and returning the following Monday. The cost of £131 a head includes return air fare (Heathrow-Nice), three nights in a Cannes hotel, transport and racecourse admission.

The Racegoers' Club, whose member voucher book for 1979 contains vouchers to a total of almost £200 spread over nearly 300 days' racing, is still in search of new members to keep the club strong and active. In an effort to swell its ranks, the club will waive the enrolment fee of £1.50 for new members whose applications are sent in by existing members before the end of the year.

FOLKESTONE
12.45—Farmers Choice**
1.45—Ravir
2.15—Cooch Behar***
2.45—Jillsprit*
3.15—Bally Seal

SOUTHWELL
12.45—Barnist
2.45—Falls Road

# TV/Radio

† Indicates programme in black and white

## BBC 1

12.45 pm News. 1.00 Pebble Mill. 1.45 The Flumps. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Maxidog. 4.25 Jackanory. 4.40 C. B. Bears. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Ludwig.
5.40 News.
5.55 Nationwide (London and South-East).
6.20 Nationwide: The West End Theatre Awards.
7.20 Tycoon.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Lawman Without a Gun."
11.00 Tonight.
11.40 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.45-2.00 pm Pili Pala. 4.40-5.00 Dawiau ar Awyr. 6.20 Wales Today. 6.50-7.20 Heddiw. 11.40 News and Weather for Wales.

Scotland—5.55-6.20 pm Reporting Scotland. 11.40 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

## BBC 2

10.05 am The Role of the Nurse.
10.30 Making Union Democracy Work.
11.00 Play School.
2.30 pm Roads to Conflict.
3.00 Knitting Fashion.
3.30 Making Toys.
4.00 Parents and School.
5.35 News on 2 Headlines with sub-titles.
†5.40 Laurel and Hardy Showcase.
6.00 The Fishing Race.
6.25 Home from the Sea.
6.55 And Now the Good News.
7.20 Mid-evening News.
7.25 Chronicle.
8.10 The Amazing Randi Magic Show.
9.00 Monty Python's Flying Circus.
9.30 The Body in Question.
10.20 Work for Word.
10.30 Exploring Photography.
11.15 Late News.
11.30 Closedown.

## LONDON

9.30 am A Big Country. 10.00 McMillan and Wife. 11.35 Survival. 12.00 Paperplay. 12.10 pm Daisy, Daisy. 12.30 England, Their England. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon. 2.25 Monday Matinee: "Danger Within," starring Richard Todd. 4.20 Clapperboard. 4.45 The Paper Lads. 5.15 Mr. and Mrs.
5.45 News.
6.00 Thames at 6.
6.25 Help!
6.35 Crossroads.
7.00 Bernie.
7.30 Coronation Street.
8.00 Robin's Nest.
8.30 World in Action Special: Inside Europe.
9.00 Tommy Cooper's Magic Moments.
10.00 News.
†10.30 Monday Night Film: "The Underworld Story," starring Dan Duryea.
12.25 am Close: A painting by Degas with music by Berlioz.

All IBA Regions as London except at the following times:—

ANGLIA

[illegible]

ATV

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

BBC Radio New Wavelengths

[illegible]

RADIO 1

[illegible]

RADIO 2

[illegible]

RADIO 3

[illegible]

RADIO 4

[illegible]

BBC Radio London

[illegible]

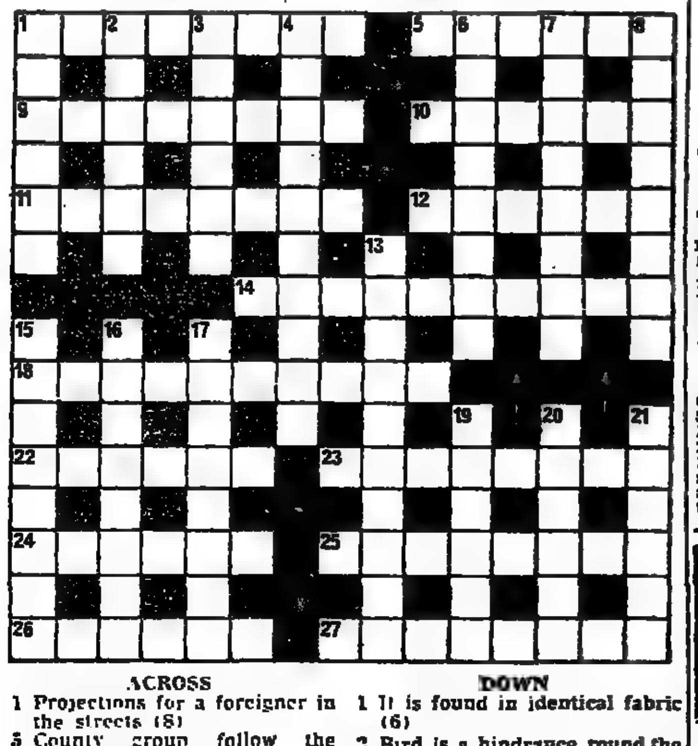
London Broadcasting

[illegible]

Capital Radio

[illegible]

## F.T. CROSSWORD PUZZLE No. 3,839



ACROSS

1 Projections for a foreigner in the streets (8)
5 County group follow the returning staff (6)
9 Can return among men as fetters (8)
10 Close of play is baffling (6)
11 So either may result in speculations (8)
12 Dickens character is in need of little (6)
14 Urchin gives way to the horse (6, 4)
18 "—— are more than coronets (Tennyson) (4, 6)
22 An advantage in North America causes sickness (6)
23 Shrub recalls Hero's address to her lover (8)
24 Lamb goes round the ship to find Dido (6)
25 The man who gave us wartime shelter (8)
26 Heathens pass in turn a short reply (6)
27 The old king's concerned about riding breeches (8)

DOWN

1 It is found in identical fabric (6)
2 Bird is a hindrance round the hotel (6)
3 Call for a replay (6)
4 He may win, but he does not get the girl (3, 4, 3)
6 Mail collections in remote settlements (8)
7 Gloomy or backward headgear (8)
8 The latest conception—public transport to the match (4-4)
13 "Nor for the — that walketh in darkness" (O.T.) (10)
15 Superficial like beauty (4-4)
16 In the finish the old city is constant (8)
17 Good health getting on—that is encouraging (6, 2)
19 A warning to the prospective purchaser (6)
20 Call to the faithful from Rome (6)
21 They raise birds with long legs (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Andrew Cruickshank in a scene from "Strife"

Leonard Burt

Olivier

# Strife

by B. A. YOUNG

Upstage, the great flywheel and the glowing furnaces of the Trenartha Tin Plate Works greet us as we come in. Then the wheel slows to a halt, the furnaces are dimmed, and cloth-capped working men stand before the factory wall in a long silence broken only by the sound of a distant train. The strike has begun.

Galsworthy didn't write this scene. He begins the play in the drawing-room of the manager's house (drawn in on a truck), where the board is considering its next move. The stoppage is a wildcat action; the union is recommending a return to work on conditions offered by the employers, but the men have thrown them over and stayed out.

I would love to have been at the first production of the play in 1909. Nowadays it is all old hat; though women and children suffer less from shortages in an era of strike-pay and social security, strikes of greater severity are commonplace. Galsworthy was a master-hand at creating sympathy for his chosen underdogs, however, and the presentation of such a conflict between implacable Capital and rebellious Labour must have been like a thunderclap in those prosperous Edwardian days.

It is claimed that both sides are shown equally fairly, but this is not really so. There is a minimal plot; the story moves from board-meeting to worker's home to mass-meeting and back to board-meeting as the questions arising are argued one way and another. The Board is at first rigidly controlled by its chairman, the 76-year-old John Anthony (Andrew Cruickshank), who sits among his fellows as impassive as an Easter Island head, and says no. The workers are more malleable. At their meeting outside the factory they are swayed one way and another by Simon Harness (Donld Gee), the trade union man, who calls for settlement on the proposed terms; by Henry Thomas (Anthony Douse), who claims that the Chapel wants an end to the dispute; by George Rous, pleading the suffering of the families; and by David Roberts (Michael Bryant, making a logical progression from his recent performance as Lenin), spokesman for revolutionary Socialism.

In the end the strike is settled on exactly the terms that were first put forward. "That's the fun," says Harness, packing up the papers that prove his success as a negotiator. The fun has involved the death from cold and hunger of Roberts's wife, and the humiliation and defeat of John Anthony.

By today's dramatic standards, these fates are extraneous. The report of Annie Roberts's death as Roberts is in mid-speech is a notable coup de théâtre, but it is cheating to weight the argument on his side this way. No one could really care about John Anthony's troubles; he was clearly been shown as a selfish, cruel old man, who I hope is as much exaggerated by the standards of his time as he appears by the standards of ours. It is the cut and thrust of political argument that matters in the play, and truth to tell, few of the characters are sufficiently deeply etched to attract personal sympathy from either wing.

It is of course much easier to write moving speeches for the Left than for the Right, as fewer shareholders are likely to go hungry than workers; and Galsworthy gives Roberts all the best tunes. All the same, John Anthony's warning to the board, that if they give in "we will be open to constant attack, and will always have to yield" must have struck a sympathetic shudder from some of the audience, not to mention the very management of the theatre.

Christopher Morahan is the director, excelling particularly in his treatment of the crowds; John Bury has produced that imposing set.

Covent Garden

# Il barbiere di Siviglia

by ELIZABETH FORBES

When the Sarrazin/Maiclès production of Il barbiere di Siviglia was first staged at Covent Garden in 1960, the role of Berta was sung by Josephine Veasey. At the latest revival of Rossini's masterpiece, shown to the Press on Saturday night after a schools matinee a couple of days previously, Miss Veasey sings Rosina for the first time in a distinguished and varied career. One wonders why on earth she has not tackled the part before. Dorabella (Così fan tutte) has illustrated her gifts as a comedienne; Adalgisa (Norma) recently proved her ability to cope with florid music; innumerable travesty roles, from Feodor (Boris Godounov) to the Emperor (We come to the River), have testified to the trimness of her figure.

Happily, it is not too late. In a predominantly youthful cast her Rosina is perfectly credible as a sixteen-year-old, while the music seems to lie plumb in the centre of her voice. Wisely she eschews—if only all Rosinas did—any flouncing behaviour or pouting expression, and relies on vocal colour and subtle phrasing to add significance to her singing. Jonathan Summers, the Figaro, also attempts his role for the first time. The young Australian baritone finds no problems in the Barber's musical idiom, while a natural ebullience carries him through "Largo al factotum," often a dramatic stumbling block to inexperienced Figaros. He will no doubt discover greater depths in the character when he has sung the role more frequently.

David Rendall is a curiously detached Almaviva. He sings his two serenades to Rosina elegantly enough—the second to Mr. Summers' deft guitar accompaniment—and later dons his soldier's disguise with some relish; but his wooing remains cool in temperature. Again, further experience may bring greater involvement. Making his Covent Garden début as Don Basilio, the Russian bass Evgeny Nesterenko displays a resonant, smooth-toned voice and a genial stage presence. His interpretation of "La calumnia" is almost too mild, but the lack of affectation with which he joins in "Buona sera, mio segnore" compels a smile of pure sympathy. Domenico Trimarchi's shy, gentle Doctor Bartolo is equally endearing, while crisp enunciation adds the necessary bite to save his characterisation from blandness. Anne Wilkens makes a cheerful, philosophical Berta.

Lamberto Gardelli, whom we know at Covent Garden mainly as a fine Verdi conductor, has a less sure, sometimes over-heavy hand with Rossini. Neither overture nor storm music has much sparkle, but the first-act finale accumulates a splendid head of steam without excessive or eccentric speeds. The name of Maurice Sarrazin has long been left off the programme and this revival is staged by Ande Andersen with welcome discretion. But joking references to "l'inutile precauzione" are meaningless when Rosina does not drop her note from the window in the first scene, while in the second act if Bartolo fails to show Rosina her letter, obtained from "Lindoro," her subsequent attack on her lover on his arrival via the balcony makes nonsense.

Leonard Burt

Jonathan Summers and Josephine Veasey

Sheffield Crucible Studio

# Psy-Warriors/Talent

by MICHAEL COVENEY

David Leland's new play, Psy-Warriors, is his last production in Sheffield before joining the Royal Court in London as an associate director. It is a depressing experience, all objective judgment on my part scuppered by the running of a colour film towards the end that shows an American soldier shooting a young Viet Cong prisoner through the head at point blank range. The incident yielded one of the most famous war photographs of modern times. On film, the unpalatable reality serves no greater point in the play than illustrating a British intelligence officer's eye and memory for detail, a virtue that could have been dealt with in any number of alternative ways.

I reckon I am reasonably shockproof in the theatere, but I stumbled away deeply distressed by this gratuitous evidence of man's inhumanity to man. It had little bearing on Mr. Leland's central, quite interesting, point about the suspicious methods currently employed by European and American intelligence officers in scanning resilience among their own ranks. Three prisoners, kept in antiseptic white cells and subjected to humiliation by soldier/guards, turn out to be recruits to the cause themselves. The idea of identity submerged in these devious, no doubt essential, operations emerges only fitfully, however, and Mr. Leland's writing and direction concentrates for the most part on the hideous punitive measures as already documented in a book such as War on the Mind by a Sunday Times "Insight" journalist.

I liked best the stylistic trick of softening up dialogue of interrogation and discussion among senior intelligence officers with sideways glimpses into the characters' domestic lives and obsessions, but the method is not yet fully integrated into what is, I understand, very much a work in progress. The area of debate is an important one, but it should not be entered without a keener sense of responsibility. There are, however, intensely loyal and full-blooded performances from Michael Irving and Eric Richard as two men whose alibis in society are cruelly put under pressure, and from Roger Sloman as a ruthless senior officer taunting a female prisoner (Hazel Clyne) with an ambiguous presentation of the case for terrorists.

On Friday night, I stayed on for a late-night cabaret-play by the delightful Victoria Wood, a musical comedienne who plays stooge in her own piece to the pathetic aspirations of a secretarial chanteuse at a seedy talent competition. Talent may not be as ambitious as Psy-Warriors, but it is much more enjoyable and full of excellent songs with quality lyrics. The piece has much that is cutting and apposite to say about sexual chauvinism, poignantly rounded off by the singer's final number about rejoining the human race and resuming her allotted station at the kitchen sink. Mr. Leland directs once against, proving that if his taste is suspect, it is also catholic.

## Aid for older soloists

The solo performers section of the Incorporated Society of Musicians is to introduce a new scheme for its members, starting in 1979. It is aimed at soloists whose careers have got off to a late start and who have been unable to take advantage of the prizes and competitions open to young artists. This scheme will be for musicians between the ages of 28 and 40 inclusive who must be full members of the ISM and who will be chosen by a panel of musicians at auditions in March 1979.

The scheme will comprise a series of annual festival days beginning in September 1979. It is sponsored by the National Westminster Bank.

In 1979 there will be three festival days consisting of three concerts, with meals and refreshments, the morning event being an informal "coffee concert."

Wigmore Hall

# Kenneth Gilbert

by NICHOLAS KENYON

Among all the instrumental interludes and dances that form an integral part of Rameau's opera-ballets, those for Les Indes Galantes (1735) are outstandingly brilliant: colourful, varied, resourceful in their rhythms and textures, reaching (in the final chaconne) the noblest heights of French baroque music. All the stranger, then, that though these dances had often been revived before the present welcome fashion for complete performances of Rameau's operas, no keyboard players had taken up the challenge offered by the work's original publication. For in that "partition réduite," Rameau wrote that "the symphonies have been arranged in the form of Pièces de Clavecin." Kenneth Gilbert has rescued these fine arrangements for his forthcoming new complete Rameau keyboard edition; they are the subject of an important article by Graham Sadler in next month's issue of Early Music magazine, and on Saturday Mr. Gilbert presented a selection of them in London for the first time.

There are no radical changes: only the specially-added ornamentation gives the music the feel of the keyboard. Some pieces (like the magnificently blustering Air pour Borée) sound like orchestral transcriptions; others (such as the delicate, intertwining Air vif pour Zephire et la Rose, played with exquisite control by Kenneth Gilbert) could have been conceived for the upper reaches of the harpsichord before they reached the orchestra. It was a shame to omit the romping Tambourin, and the final Chaconne, but Mr. Gilbert rounded off the suite powerfully with the well-known dance, Les Sauvages.

Earlier, he had treated us to four pieces from Rameau's 1728 collection, excelling in the ornamented subtleties of Les Triolets and providing a curiously hiccoughy account of La Poule. In the first half, there were six of the Preludes and Fugues from Bach's second collection; few players understand the weight and resonance of harpsichord sound better than Gilbert, but it was noticeable that a rhythmic unease undermined the flow of these performances. The lyrical fugues in C minor and F sharp minor sang beautifully: but where more weight (in the E major Fugue) or more wit (in the F major Fugue) was required, he sounded rather awkward. Playing of unsurpassable taste and restraint, but a little sedate for Bach.

Elizabeth Hall

# Lupu's Schubert

The last but one recital last Thursday of Radu Lupu's journey through the complete (and not a few of the incomplete) piano sonatas of Schubert was a triumph. Not so much for its consistency or wholeness: Lupu is a nervous and uneven pianist in recital, and some of his playing during the programme was less than masterly. It was a triumph nonetheless, and that for its last work, the great A major sonata D959, of which Lupu gave an account so fine, and in its weird and idiosyncratic fashion so sublime, that all earlier irritations were either forgotten or rendered supremely irrelevant.

And there had been some irritations. There were moments in both the F sharp minor sonata (a composite of D571 and D570 remarkable chiefly for a first movement of the most memorable and haunting beauty) and the B major sonata D575 at which Lupu seemed suddenly to shift wavelength, harking back to the mannerisms of his earlier days: little curls of self-conscious point-making, coy moues, sudden vanishing pianissimi, indulgence in the prettification (as opposed to the clarification) of textures. The surface of the B major's andante was impeccable: but the impulse was bland—and like Askenazy's Mozart the evening before, oddly lightweight. A few points were forced. Each expressive device was in itself beautifully conceived, the lop-sided lilt of phrase, the sudden half-voice sideways glance; but each would have been doubly effective less frequently (and therefore less predictably) used.

But if the two earlier sonatas, for all the passing virtues and real charm of the playing, were unevenly presented, the late A major sonata was sustained in a blaze of light. It was not necessarily the A major we all knew; it was certainly not an A major to please a piano competition jury. But it was splendid: whole and urgent, full of fire and marvellous quirky poetry, a wild and magical creation that held us unquestioning in its grip. The pacing was judged with unfailing exactness; the balance of parts, from bar to bar, and movement to movement, was exquisitely poised. Every movement had its magic: but Lupu's scherzo I shall always remember—coaxed, shimmered and danced, alive with colour, vibrant with energy.

DOMINIC GILL

Theatre Royal, Bristol

# The Man Who Came to Dinner

by B. A. YOUNG

You might think that Kaufman and Hart wrote this play to amuse each other rather than the public. It is crammed with private jokes. Sheridan Whiteside, its hero, is Alexander Woollcott to the life, arrogant, selfish, abusive as he sits in his wheelchair with a broken hip, soft-hearted and sentimental as he addresses his countless listeners on the radio. All the most proper proper names of the 'thirties flash by, and there are little cameo parts for some—Noël Coward thinly disguised as Beverley Carlton, an all-purpose Marx Brother in the person of Banjo.

The private jokes may escape younger playgoers, but the public jokes won't. The authors employ the admirable principle, "Anything for a laugh." So we have Whiteside's polished abuse, his total unconcern for the feelings of others: the improbable dinner for the convicts (who enter the dining-room still in the jail lock-step), the unlikely Christmas presents that arrive to brighten Whiteside's enforced exile—a couple of penguins, a nest of cockroaches, a sarcophagus from the Khedive of Egypt. Laid on with a trowel, no doubt: but with the kind of trowel used for laying foundation-stones.

Whiteside is in exile because he slipped on the icy porch of a tuft-hunting host in darkest Messalia, Ohio, whom he proposes to sue for $150,000 in consequence. During the weeks of his enforced stay, he engages their cook and butler for himself, he encourages their teenage son to run away to sea and their teenage daughter to marry an anarchist and he is faced with the sudden loss of his secretary, who falls in love with the editor of the local paper. His plan for avoiding this disaster, by sending for a notoriously loose-living actress and interesting her in the editor's play, is the chief of the half-dozen little plots that keep the movement going fast from start to finish.

Harold Innocent plays Whiteside. He looks bemused when he is first wheeled on, but once he has taken the measure of his surroundings and of his unwilling hosts he is fully in command. Maggie his secretary, who must at the same time be his straight man and a sympathetic character on her own, is prettily done by Elizabeth Counsell. Peter Postlethwaite plays the playwriting editor and Lorraine Sheldon, Maggie's proposed rival, is sweetly taken by Toby Robins in a series of glamorous frocks by John Elvery, who has conjured up the fine bourgoeis home in Messalia.

There are two enjoyable speciality acts, Barry Justice as Beverley, whose short appearance includes a convincingly Cowardesque song at the piano, and Ian Mackenzie as Banjo. Richard Cottrell's direction has provided an admirably brisk production full of comic detail. There are 29 parts, but they are taken by 23 actors; how grateful we must be for the Arts Council, without who productions on such a scale could never happen.

# Arts news in brief

A portrait by Moroni, which was sold at Sotheby's on November 1, has been added to the exhibition of paintings by Moroni at the National Gallery which remains open to the public until January 14.

The picture has been lent by an English collector, who wishes to remain anonymous, and it is of particular interest as a probable self-portrait by the artist, showing him about the age of 50, with greying hair and beard and "a strikingly haunted expression."

Until some years ago the picture was in the collection of the Dukes of Bedford at Woburn Abbey.

*

The December New Orleans Sunday Brunch sessions at the Portman Hotel, W.1, were kicked off yesterday by clarinettist Monty Sunshine and his band.

On December 10 singer Beryl Bryden will appear with the Rod Mason band. The following week a quintet led by saxist Johnny Barnes and trombonist Pete Strange will play while on Christmas Eve the Pete Allen Jazzmen will be featured.

On New Year's Day singer Pamela Knowles and a trio appear.

*

Following sell-out seasons in the last two years, the third international London Mime Festival will take place from January 10 to February 10, 1979 at the Cockpit Theatre and elsewhere.

From classical mime to clown theatre, the festival offers a variety of performance styles, and this year, for the first time, includes special performances for children.

The main venue will be the Cockpit Theatre, with performances also being held at the French Institute Theatre, the Goethe Institute Theatre, Jackson's Lane Theatre and the Roundhouse Downstairs.

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# Soviet power is limited

ROMANIA has been developing its own independent foreign policy for the past 15 years. There is little doubt that taking a different line from the Russians and showing the flag around the world has touched a responsive nationalist chord. There have also been occasions when Romania's insistence, for example, on maintaining diplomatic links with Israel has given the Soviet Union a useful auxiliary channel of information and communication in the Middle East. President Ceausescu's willingness to act as "honest broker" in the conflict between Vietnam and Cambodia and in other areas has been appreciated.

### *Publicity*

Three times this year, however, Romania has taken an independent line which has brought it into direct confrontation with the views and susceptibilities of the Soviet Union. Romania opposed Soviet-inspired moves to achieve a more integrated decision-making structure in Comecon, then provoked criticism by inviting the Chinese Premier Hua Kuo-Feng. Finally last week it stood out against higher military budgets within the Warsaw Pact and declined to criticise China.

What is more, President Ceausescu went out of his way to seek maximum publicity and public support for his independent policy on his return to Bucharest and in last Friday's keynote speech, in which he floated the idea of a de-militarised buffer zone in Europe.

This indicates that domestic considerations are playing an important part in Mr. Ceausescu's calculations. The Romanian leadership has, after all, a lengthy experience of justifying repressive policies at home as the price to be paid for independence abroad. But there have been signs of popular discontent with the cult of personality, the sycophantic press and radio and, above all, the continuous belt-tightening which has accompanied the drive for rapid industrialisation. The defection of a high ranking secret police officer, the sacking of high party officials for corruption, strikes by coal miners and the pressure for freer travel and higher living standards all point to considerable domestic difficulties.

Mr. Ceausescu's rejection of the need for higher defence spending was motivated in part by the negative effects this would have on an already strained economy. But Romania is not the only country in the Warsaw Pact which would dearly like to concentrate its resources on meeting pressing balance of payments problems and raising living standards rather than bolstering up the Soviet Union's great power policies. Furthermore, although Romania is in some ways the most outspokenly nationalistic country in the East bloc nationalism is alive and well throughout Eastern Europe, as it is indeed within the multi-national Soviet Union itself. In this context the latest Romanian move represents another serious challenge to the hegemony which the Soviet Union has imposed on this part of the world since the end of the war.

### *Long frontier*

How will the Soviets react? In military terms Romania cannot be defended. It is surrounded by other Warsaw Pact countries, except for its border with Yugoslavia. This might well prove a blessing in disguise. The invasion of Czechoslovakia took place, at least partially, because it did have a long frontier with West Germany. As for economic sanctions, these could be applied and could aggravate the country's economic problems. Romanian trade with the Soviet Union itself has steadily declined in relative terms over the last 15 years but trade with Comecon as a whole still accounts for 40 per cent of Romania's overall trade.

In the long run, however, neither military intervention nor economic sanctions would solve the basic political problems involved in maintaining Soviet hegemony in an Eastern Europe where ideology is on the decline, where nationalism and a desire for higher living standards is strong and where Soviet leadership is acknowledged with increasing reluctance. For the Soviet Union the problem is likely to get worse rather than better.

# Cheap housing costs money

THE NEW scheme of financial assistance for first-time house buyers which the Government launched last week is comparatively modest in scope. But it has been widely criticised as being both needlessly complicated to administer and uncertain in its effect.

The general idea is that people who regularly save for a house with a building society or bank and who hold a minimum of £300 after one year and at least £600 after two years should qualify for a tax-free bonus and a five-year interest-free loan. At the top of the scale, the bonus would be worth £110 and the loan £600. But the Government wants to limit the scheme to purchasers of cheaper houses and will not announce definite figures for qualifying house prices until 1980 when the first loans and bonuses become due. In any case, the payments will be made only when a house has been purchased and there is no guarantee that savers will obtain a mortgage. On the one hand, it has been said that the scheme will have only a limited impact. On the other, if it proves a considerable success, first-time house buyers will have more cash available and house prices will be pushed up.

### *Choice*

The more fundamental question, however, is whether such a scheme is needed at all. The desire to own one's own home—and the sense of security and freedom which home ownership confers—is so deeply embedded that further encouragement seems unnecessary. Already, just over half of all households own their own home, as against only one in ten 60 years ago and less than one in three 30 years ago, and the majority of those that do not actively aspire to. Perhaps the clearest evidence of this was to be found in the results of the consumer survey commissioned by a National Economic Development Council study group on housing a year or so ago. This showed that owner-occupation was the preferred choice of a preponderent proportion of all age groups, save only for the 55 age group and above. In that category the replies partly reflected choice and partly a reluctance to move house which a change of tenure would involve.

The cost of the new scheme may be relatively modest—about £100m a year after the initial two-year waiting period has passed, according to Ministerial estimates last week. But it will represent a further addition to the very considerable national housing subsidy bill. This is now running at rather more than £3bn a year, counting mortgage tax relief for home buyers as well as housing subsidies, rent rebates and allowances for local authority and private tenants but not including the further unquantified subsidies which rent controls effectively oblige private landlords to give to their tenants.

### *Staggered*

The distribution of these sums is related neither to income nor social need but to chance. Their effect has been to inflate housing demand and to encourage under-occupation. Together with 60 or more years of rent legislation, they have hastened—if indeed not caused—the near-demise of the private rented housing sector and so exacerbated the problems of the housing stress areas and the provision of suitable accommodation for the mobile, the childless, the poor, the elderly, and the single (with or without children).

One can understand politicians being wary of the disturbance to household spending patterns which even a staggered move towards pricing for housing — with help going only to categories of real need—would involve. But sooner or later housing policy will have to be set upon that path, for the present state of affairs makes neither economic nor social sense. The chance for making such a change of course which was offered by the housing finance review initiated by Mr. Anthony Crosland was unfortunately lost. The danger now is that electoral considerations will again become paramount and that the major political parties will engage in a Dutch auction of subsidy schemes for first-time buyers.

BRITAIN'S POWER PLANT MAKERS

BY JOHN LLOYD

# United they stand but divided they fight

THE power plant manufacturers of the European continent received a present from the British Government two years ago. Nicely bound in red, it was a 100-page document named "The Future of the United Kingdom Power Plant Manufacturing Industry," and it was written by the Central Policy Review Staff (the Government's Think-Tank). Not quite a present there was a nominal charge of £2.50.

"Worth thousands of pounds," was the ecstatic verdict of the publicity department of Brown Boveri, the Swiss turbine generator company which dominates the world market. Boveri should know, say disgruntled UK rivals; it quotes extensively from the document in its export promotions.

Sir Arnold Weinstock

A few examples: "All major producing countries *with the exception of the United Kingdom* (report's emphasis) have installed 1,000 MW (turbine generator) units and have either installed or ordered 1,300 MW units . . . . All of the major manufacturers, except the British, have a significant experience in carrying out turnkey projects . . . lack of a strong established turnkey capability, no home business on a turnkey basis, and an unwillingness to commit the necessary financial resources in this field have so far excluded British manufacturers from many opportunities available to foreign contractors."

This piece of recent history is worth recording, for it is repeating itself. Last month, the Prime Minister asked the CPRS to enquire once more into the power plant industry, and to report to the Cabinet. For the manufacturers, the first examination was a tragedy: will the second one be a farce?

It may, at least, not be another tragedy. The report will be a limited one, concerned with the relative technical merits of two different types of 660 megawatt turbine generators (though there is rather more to it than that); and the think tank will probably report to the Cabinet in confidence (though this has not been decided, and in any case reports of this kind tend to leak out piecemeal sooner or later).

Yet whatever the safeguards against widely-broadcast criticism, the industry is now—after its previous experiences—determined not to present any other but a beaming face to the outside world. Unfortunately, this desire conflicts with the realities of commercial life: they are—especially for the turbine makers — intensively, even bitterly competitive.

No industry can present an entirely convincing image of success while its members are scrapping and throwing mud at each other, at their domestic client, the Central Electricity Generating Board, and at the Government. Add to this the fact that the question of mergers is still unresolved, indeed, deliberately kept open, and it is clear that the desired image of confidence hardly stands scrutiny.

Two series of events have brought the latent rivalries boiling to the surface—the award of the Drax "B" contracts, and the invitations to tender for the power plant required for the advanced gas-cooled reactor nuclear stations at Heysham (under the control of the CEGB) and Torness (under the control of the South of Scotland Electricity Board).

Drax "B" was born in conflict. The Government forced the CEGB to bring forward the ordering of the station by around 18 months in order to provide work for the severely depressed power plant industry. The Government is to pay a maximum of £50m for this exercise of authority to cover the extra interest charges incurred by the Board. This, too, resulted only after lengthy argument.

From an early stage it was known that the bulk of the turbine generator work would go to C. A. Parsons, the generator division of Northern Engineering Industries. The Government wished it because Parsons had little work; the CEGB wished it because Parsons had supplied the turbines for Drax "A" and, on engineering grounds, it wanted compatibility. But this did not prevent GEC from putting in a rival bid for the three turbines days before the Parsons award was announced. At £88m, the GEC bid was around £20m less than the Parsons price.

The Board rapidly rejected the offer; but Sir Arnold Weinstock, GEC's managing director, had made his point; he could beat Parsons on price.

The boilermakers were scarcely less acerbic. Babcock and Wilcox emerged early as the favoured manufacturer. Work on the flues and ducts, worth around £10m, was to be sub-contracted to NEI-Clarke Chapman. But in the first part of this year, talks were going on between the two boilermakers about a possible merger. These talks were formally broken off in July, and there seemed to be some bitterness in the aftermath: Babcock let it be known that the flue and duct work might be let elsewhere.

"The work is the type which could be done by any one of half a dozen manufacturers," said Mr. Tom Carlile, Babcock's deputy chairman, at the time. "We are horse trading with a number of manufacturers on price, and there might be a change of plan at the conclusion of these talks."

In the event, all was tidied into a deal which was much the same as it was supposed to be. Babcock won the boiler work, sub-contracting to NEI Clarke Chapman. NEI Parsons took the turbines, with a sub-contract to GEC. The fuss died away only to start again in time for the tendering for the next phase of nuclear power stations—the two Advanced Gas-Cooled reactors (AGRs). The four turbines will be worth between £120m-£140m.

**TOTAL NUMBER OF TURBINES OF 500mw AND ABOVE MADE OR BEING MANUFACTURED BY PARSONS & GEC**

| No. of exhaust flows | In Service Four | Six | Eight | In Manufacture Four | Six | Eight | Total |
|---|---|---|---|---|---|---|---|
| Parsons | 9 | 41 | 2 | 1 | 14 | 0 | 67 |
| GEC | 6 | 22 | 4 | 14 | 13 | 0 | 59 |
| **Of which, for export:** | | | | | | | |
| No. of exhaust flows | In Service Four | Six | Eight | In Manufacture Four | Six | Eight | Total |
| Parsons | 9 | 8 | 1 | 1 | 6 | 0 | 25 |
| GEC | 5 | 0 | 0 | 9 | 3 | 0 | 37 |
| **Total export capacity (MW)** | | | | | | | |
| Parsons | 4,500 | 5,360 | 500 | 500 | 3,520 | 0 | 14,380 |
| GEC | 2,600 | 0 | 0 | 6,050 | 3,600 | 0 | 12,250 |

*Sources: Industry figures*

## Murky ground

This is still murky ground. While much has been written, over the past month, on AGR orders, and especially on the turbine tenders, a sudden silence has fallen over the industry. This is not by chance: Sir Arnold Weinstock, the most powerful man in the industry, has expressed his displeasure at the public washing of dirty linen, and the official word from GEC is that "the company declines to comment because the matter is of such technical complexity that it cannot be properly decided by a debate in the Press. In this stance he is buttressed by the CEGB, which agrees that no news is good news, and that, as Mr. Dennis Lomer, the forceful Board member for construction put it —"there is no debate, there is no argument. We are waiting for tenders."

The news that the CPRS was to investigate the matter of turbines has also put a kind of "sub judice" seal on the debate. Despite the apprehension of much of the industry over further CPRS involvement, this has been another notable achievement by Sir Arnold. At a meeting with the Prime Minister last month—at which Sir Kenneth Berrill, head of the CPRS, was present—Sir Arnold managed to convince a rather reluctant Mr. Callaghan to call in the the think tank, as a more fitting forum for debate than the Press.

But there has been debate. The matter is a difficult one to summarise because one side of it, GEC, will not participate. As far as can be determined, the main points are these:

- The choice of system lies between a "four-exhaust" or "six exhaust 660 MW turbine. At present, GEC makes both four- and six-flow systems though, as the figures above show, it is the four-flow which leads in export markets. Parsons, on the other side, is much stronger in the six-flow. The CEGB has put out contracts for competitive tender for both systems to both companies.
- The technical arguments centre on the efficiency of the turbines expressed in "leaving loss," that is, the kinetic energy of the steam after it has left the final turbine wheel. In a six-exhaust system, leaving loss is claimed to be around 2 per cent, or 13 MW, against a loss of 4.5 per cent, or 30 MW, from a four-exhaust turbine;
- The above point must be carried a stage further when export markets are taken into consideration. The six-exhaust turbine, which is significantly more expensive than the four-exhaust system, does not, it is claimed, offer the same relatively high marginal savings on running costs in those countries where the cooling water used is at a higher temperature than that used in the UK.

The conclusion then seems to be that while Parsons currently has a design for a six-exhaust turbine, which is reliably reported to be favoured by both the CEGB and the SSEB (they have already said as much to the think tank researchers), but which is apparently less attractive on exports markets, GEC has a four-exhaust system which has already achieved substantial export orders and which is cheaper but less attractive than the six-exhaust to the domestic client.

Sir James Woodeson

## Sitting pretty

Parsons believes it is sitting pretty, and needs merely to wait for the order to fall into its lap—though the CPRS enquiry has shaken its confidence. GEC has appeared to be on the defensive, but has won back some ground. Its pressure has been responsible for putting back the deadline for tenders on the turbine to January of next year, and GEC is thought to be considering tendering for a six-exhaust system in direct competition to NEI.

On the boiler side, the CEGB has already made it clear to NEI-Clarke Chapman that it is the preferred supplier, quite simply because it has an available design for 660MW AGR boilers, and Babcock does not (Babcock has an available design for 660MW coal-fired boilers: Clarke Chapman does not. The boiler contract is worth around £220m.

However, in this case, the bitterness which exists between the turbine manufacturers is not duplicated. Last week, at a lecture given by Sir Francis Tombs, chairman of the Electricity Council, to the Institution of Mechanical Engineers, three men sat amiably together on one side of the hall—Sir James Woodeson, chairman of NEI; Mr. R. H. Campbell, managing director of Babcock Power Plant, and Mr. Fred Bonner, deputy chairman of the CEGB. The grouping was symbolic: the two boilermakers, while not formally negotiating on a merger, are informally talking again, and the CEGB is encouraging them to do so.

The Board's concrete demonstration of encouragement is that it is insisting that the boilermakers share their technologies — Clarke Chapman teaching Babcock the tricks of the nuclear trade, while the latter reciprocates in coal technology. Thus Babcock will participate in the AGR boiler orders, though the intention is to give the lion's share to Clarke Chapman.

The manufacturers thus go forward into the next period of the nuclear age, still in some uncertainty, but arguably in potentially better shape than when the CPRS last had them in its sights. It is essential that they should be. In the first place, the CEGB is determined to see Heysham and Torness as the first "standard" stations, incorporating the lessons learned at Hunterston and Hinkley B and capable of duplication by other, future, AGRs. That means, of course, that it is imperative (a) that Babcock and Clarke Chapman do share technologies if Babcock is to play a major role in AGR boilermaking and (b) that GEC and Parsons both establish strong claims for their ability to supply acceptable turbines. The honours, for the moment, are all with Parsons. It has supplied six-flow turbines for all five AGR stations built or under construction.

In the second place, the export market gets no easier. Both the Government and the CEGB still believe that the UK can compete internationally only if it markets its power plants under the banner of "UK Ltd." (an approach which is being striven for in sector after sector). While it is true that, since the last CPRS report, the country now has in NEI an integrated power plant manufacturer capable of offering turnkey work, it is also true that export orders for the nuclear technology have not yet been won by the new creation: no-one, it seems, wants AGRs.

On a hopeful perspective, the first signs of improvement now discernible in this troubled industry will be built upon and will grow, and rational—if painful—solutions found. If they are not, and the manufacturers, Government and CEGB fall to bickering once more, then it will matter not at all how public or how private the arguments are—the world markets will continue to recede.

# MEN AND MATTERS

## Tuning up the instruments

Fresh from Friday's lunch for Richard Nixon the Hyde Park Hotel is spending the next three days hosting the Trilateral Commission. But when I mentioned in whose footsteps the Commission was to some extent treading, its European Secretary, Hanns Maull, was quick to stress that Kissinger might be a member but Nixon was not. On the contrary, he told me, the Commission's formation had been triggered off by the unilateral economic measures taken by Nixon in 1971.


Eventually founded in 1973 the Commission has been remarkably successful with its membership. Its first director and co-founder was Zbigniew Brzezinski and its erstwhile members — erstwhile because they retire on taking office—include Carter, Mondale, Vance and four other members of the Carter cabinet. In Western Europe, the French prime minister, Raymond Barre, and West German minister of economy Count Otto Lambsdorff were members, as were two senior members of the Fukuda administration in Japan.

North America, West Europe and Japan are the three sides from which the Commission's name is derived. A sort of political Rotary Club? I asked, but Maull was quick to reject this and to bring in another trinity: "No, more serious, a combination of a think tank, a club and an international *group de persuasion*." He thought a pressure group would not be the correct term since the Commission relies mainly on its members to act as what he calls the "transmission belt" for the ideas agreed on.

Maull told me that about one-half of the Commission's annual $600,000 budget came from foundations, 35 per cent from industry, 10 per cent from governments including the British Government and 5 per cent from trades unions. Two nationalised British industries subscribe to its funds while among the British members are the chairmen of Barclays and Dunlop and deputy chairmen of the British Steel Corporation and Rio Tinto Zinc.

"We would like members from the TUC," Maull said, agreeing that the Commission was wooing the unions.

The basic philosophy of the Commission is "the acceptance of the free enterprise economy and the need to reshape the economic order," Maull says, adding that it is "basically reformist not revolutionary, but it is not conservative in the sense of hanging on to the status quo."

I asked Maull about one description of the Commission as a "debating forum within a consensus which is taken for granted by most of its members but which others would think is complacent and controversial." He stressed the pluralism and the "free and outspoken debate" which could be heard, not least when the Commission considered the issue of bribery. And he said he would be surprised if all its members agreed that the U.S. had always been a benign and beneficial influence.

Indeed now he suggested that consultation between industrial countries was needed if the U.S. was no longer to play a shaping role: "Instead of a one-man band with some background music you have three or four instruments on the same level."

That these instruments should play with others seems to be taken for granted by Maull. He sees some progress, though not enough, in the North-South dialogue since Carter replaced Ford. But the Commission is inevitably looking East-West too. What Maull called the "conflictual aspects" of East-West relations is one matter under study, but there was little trace of the cold war in his next remark: "If you take seriously the idea of global management of problems then in the long run you have to draw the socialist countries in."

## Family affair

The board of Barton Transport is made up of Messrs M. Barton, K. M. Barton, P. A. Barton, T. H. Barton, P. S. Barton and J. E. Barton. As you might expect they are standing firm against intruders, refusing to support a would-be fresh director — A. Barton.

## Meaning well

Crossword and Scrabble addicts have only themselves to blame if the O-Shz, Volume 3, supplement to the Oxford English Dictionary is a little later off the presses than its deadline of midnight, December 31, 1980. Its chief editor, Robert Burchfield, tells me he is plagued by word-game enthusiasts arguing for the validity of words overloaded with Qs and Xs, or for the inclusion of what Burchfield calls "crippled" words. That is how he classes chemical combinations but he says tartly: "We are interested only in real words."

Much more sinister, in his view, are the pressure groups with which he has to deal. He dismisses as a publicity stunt the attempt by one shirt manufacturer to have "shirty" removed on the grounds that connotations of ill temper were damaging the shirt industry.

He is more disturbed by attempts to have the unflattering definitions of "Jew" and "street Arab" excised. He seems little impressed by claims that such definitions disturb the peace: "The point of pressure used to be sexual words. That's all over now. Every dictionary includes them. But immediately that kind of pressure has been replaced by pressure on racial grounds. It's something that really grabs at people's throats."

Apparently, so far every dictionary house apart from one in the U.S. has resisted. "It's quite clear that once you start that game of removing words there's no stopping it," claims Burchfield, who also has to run the gauntlet of pressures from India and Pakistan over to which country Kashmir belongs. And there have been arguments over the origin of the word "Pakistan" itself.

Was it based on the word meaning "pure" or was it made up? "Not only did we say it was made up, we proved it." Then there are the holders of trade marks like Biro who are anxious that the capital letter should remain.

Burchfield's major defeat, he says, was after 15 years' resistance having to accept the Milk Marketing Board's word "pinta": "A horrible, useless word, but it's in the language now, unfortunately."

## Pound foolish

Heard in a Mayfair night club: "Change for a fiver, sir? In here a fiver is change."

*Observer*

# FINANCIAL TIMES SURVEY

Monday December 4 1978

# Europe

CONTENTS



The EEC is preparing to make major decisions about enlarging its membership. This 16 page Financial Times Survey looks at the major issues facing Europe including the debate over monetary union and the likely impact of next year's elections for the European Parliament.

## Leaping in the dark

**By Reginald Dale**

*European Editor*

AFTER YEARS of marking time—some would say slipping backwards—the European Community is girding itself for a new leap forward. It will be a leap, or perhaps more accurately a series of leaps, in the dark. Expert opinion is deeply divided over whether, and if so how, the new European Monetary System (EMS), due to be launched by Heads of Government in Brussels this week, will work. Equally unknown are the implications for the Community's development of the first direct elections to the European Parliament next June and the admission of three new members—Greece, Portugal and Spain—in two to three years' time.

Many would argue that now is hardly the time for fresh experiments in European integration such as the EMS. Such integration, they would say, best flourishes in periods of prosperity like the 1960s. Record unemployment, divergent economies and slow growth rates are not the basis for building a monetary union, the argument goes. Like the "economists" of the early 1970s, critics of the EMS maintain that it puts the monetary cart before the economic horse.

Both President Valery Giscard d'Estaing of France and Chancellor Helmut Schmidt of West Germany, the men behind the EMS, have turned a deaf ear to such arguments. Technicians who argue that the scheme will not work or that it will have unpalatable consequences have been told that the decision is not technical but political.

Advocates of the scheme in Bonn would go even further and claim: (1) that politicians had to take the initiative because nothing would ever be done if economic and monetary integration were left to the experts and (2) that if nothing were done the Community would start to disintegrate. Turning the argument on its head they would say that it is precisely because economic circumstances are so difficult that action must be taken to stop the rot.

For both the French and German leaders it is important that the scheme should work. Herr Schmidt's advocacy of the plan, without which it would have been inconceivable, represents one of the biggest EEC initiatives ever taken by Bonn. At stake is not just Herr Schmidt's personal prestige but the emerging political influence of West Germany.

For M. Giscard d'Estaing, failure would be embarrassing. He has already suffered the humiliation of twice taking the franc into the European *currency "snake," the second* time against the advice of his experts, only to be forced to withdraw. A third setback *would be used by his political* opponents in France as further evidence of bad judgment. They are already castigating his Government's controversial economic policies.

For Mr. Callaghan, of course, the problem is rather different. The EMS is anathema to the Labour Party's Left, and to anti-Marketeers in general, who see it as a fresh threat to British sovereignty.

### Determined

The Prime Minister is torn in two directions. He does not want a major new row inside the Labour Party; nor does he want to lose his seat at the Community's top table. He has made it clear that he is determined not to accept some kind of second-class status for Britain in relation to its fully *participating partners.*

The Government's Green Paper, published at the end of last month, took a less negative approach than many people had expected. But there is still quite a solid body of expert opinion in the UK which argues that a decision to launch the new system now would be premature—not only for Britain but for the other countries as well.

Britain is not alone in its doubts. Both the Italian and Irish Governments have gone through considerable heart-searching on the details of the scheme's operation, even if they favour the idea in principle. Even in the Netherlands, a full participant in the European currency "snake," concern has been expressed *over what might happen if EMS* fails. Senior Dutch officials are afraid that collapse of the EMS might lead to the breakdown of *the "snake" in its aftermath.*

It is hardly surprising that the joint initiative by Paris and Bonn on EMS has been interpreted as confirming the emergence of a Franco-German axis. It is true that with Britain opting out of a constructive European role, France and Germany have the field to themselves as by far the two most powerful Community countries.

Both Herr Schmidt and President Giscard d'Estaing are fully aware that entente between *their two countries is a funda*mental prerequisite for the further European integration that they both seek. In recent years, too, the Bonn Ministry of Agriculture has come almost to equal Paris as a defender of the Community's largest single common policy, the Common Agricultural Policy.

But the two governments are far from seeing eye-to-eye on everything. If Bonn is afraid that the Community is in danger of disintegrating, one of the principal reasons is the spread of protectionist measures, both overt and covert, inside the EEC as well as outside it. Bonn is as anxious as most other Governments that the Tokyo Round of international trade talks, now in their final phase in Geneva, should be successfully concluded. Failure could plunge the world, and the Community, back into an era of protectionist beggar-my-neighbour policies and undermine the basic rules *of the international trading* system.

Yet the greatest threat to the Tokyo Round is currently posed by the attitude of the French Government. Unless France changes its position and allows a final package deal to be negotiated in Geneva by the end of this year, there is a real danger that the talks will fail. Time is running short for U.S. Congressional ratification and Congress is showing signs of impatience at the delays that have already occurred. France may simply be trying to bolster its bargaining position for the Round's last lap but it is playing a dangerous game. Herr Schmidt may well want to use some of his influence with President Giscard d'Estaing in Brussels this week to avert disaster.

On direct elections to the *European Parliament*, M. Giscard d'Estaing's position has much more in common with Mr. Callaghan's than with Herr Schmidt's. Bonn, along with most other EEC capitals, is fairly serious in its hopes that the first poll, in June next year, will mark the start of a process which will turn the Parliament into a genuinely democratic body capable of supervising the activities of the Community's other institutions, and the formation of EEC policies, in a *way that national Parliaments* cannot. Simultaneous Europe-wide elections, in the view of the Parliament's supporters, should in themselves awaken new interest in Community issues and give a fresh boost to European integration.

### Arguments

On this issue President Giscard d'Estaing, a "European" at heart, has run into the sort of domestic arguments about national sovereignty that are so familiar to British politicians. Tough nationalist opposition from hard-line Gaullists and the Communists has forced him to give an undertaking that direct elections will not lead to increased powers for the Parilament. Mr. Callaghan has made similar commitments in *an attempt to allay the* misgivings of British anti-Marketeers.

Nevertheless, it is difficult to see the newly elected Euro-MPs meekly accepting this when they take their seats in Strasbourg *Unlike current European* Parliament members, most of them will not be members of their national Parliaments. *They will almost certainly want* to meet more often than the present Parliament's one week a month, and they will want to justify their existence to their electorates by making an impact on Community decision-making. *They will exploit their* new democratic credentials to the full.

Sooner or later the new *Parliament is likely to find* itself in a major constitutional test of strength with the Council of Ministers. An early *source of discord could well be* the inter-governmental agreement obliging European MPs to divide their time between Strasbourg, Luxembourg and Brussels—long a cause of widespread resentment. The council could well find itself seriously split in a clash of this nature.

For this reason—and because of the Community's imminent *enlargement to include Greece,* Portugal and Spain—it may be hard for the member governments to avoid a serious new debate on the Community's institutional structure in the not-too-distant future. Many people in the British Labour Party hope that the next round of enlargement will so dilute the Community as to remove all traces of *federal pretensions* once and for all.

The smaller member States, on the other hand, would like to use the opportunity to improve and strengthen the institutions by making them more genuinely supranational. They see the extension of the Community to 12 members as reinforcing the case, for example, for greater *use of majority voting in the* council and correspondingly less use of the national veto. Here, too, one would expect such demands to be most strongly resisted by a Franco-British axis.

*The smaller countries are not* optimistic that they will get their way. They are particularly alarmed by any suggestion smacking of the big-power directorate proposed by General de Gaulle in his closing days at the Elysee in 1969.

The original proposal has evolved since then. One version with which President Giscard d'Estaing has toyed is a supervisory body on the lines of the UN Security Council, with some permanent and some rotating *members. The fear of the* Benelux countries in particular is that the unwieldiness of the enlarged and diffuse Community *will give new impetus to such* thoughts in the senior capitals.

The Nine have not yet grasped the institutional nettle. President Giscard d'Estaing has reaffirmed that what he wants is a "confederal" Europe, without being very clear about what that means in practice. In December 1969 in The Hague, the Six undertook to *"strengthen and deepen" the* Community before admitting Britain and the other candidate countries. Apart from rushing through the unbalanced common fisheries policy that is causing so much trouble today, they did not really do so.

This time, if the EMS works, the Community will be "strengthened" before enlargement—although nobody has yet given much thought as to what the relationship of the new members should be to the system. "Deepening," in the sense of reinforcing the institutions, is likely to prove as difficult as ever.

# The next step

**ENLARGEMENT**

**Guy de Jonquieres**
*Common Market Correspondent*

THE EEC is now set on an apparently inexorable course towards its next enlargement. Formal negotiations with Greece on its membership application are now approaching a conclusion, and it is likely to be admitted at the start of 1981. Negotiations with Portugal began last October, and similar talks with Spain are expected to start by next autumn, following the publication by the European Commission of its formal opinion of Madrid's application.

The nine present members of the EEC have warmly welcomed the applications on political grounds, though none of them has sought to minimise the practical difficulties which they are certain to create. It is generally acknowledged that the Community, which has done much to foster an image as a bulwark of political stability, democratic principles, respect for human rights and the rule of law, has a compelling obligation to respond positively to approaches by three neighbouring countries which have only recently emerged from dictatorial rule.

Not to have welcomed the membership requests could have had profound repercussions inside the candidate countries, straining their political and social fabric and perhaps undermining their freely elected governments. Such concerns weigh particularly heavily with Britain and West Germany, which believe that the Community has a valuable role to play in underpinning western security and cementing the cohesion of the NATO alliance.

On the other hand, however, the Nine remain even at this advanced stage unsure and divided about exactly how to fulfil the commitments which they have taken on. There is still no real consensus on how the prospective members should be fitted into existing EEC structures, and even less on the broad policy objectives which a 12-member Community should set itself. Many of the six original EEC countries already believe that it has worked less well since it was last enlarged in 1973 and fear that further enlargement will aggravate existing problems. But there has been no agreement so far on what should be done to correct them.

The difficulties are compounded by the fact that the applicant countries are economically less well developed than most existing EEC countries. Despite unusually rapid growth rates over the past 15 years, their aggregate gross domestic product per head is significantly below the present Community average, though the size of the gap differs markedly from country to country. It is slimmest in the case of Spain and widest in the case of Portugal, whose per capita GNP is less than half the EEC average and barely two-thirds that of Ireland, the least developed member of the Common Market.

## Agriculture

Enlargement would double the number of people employed in agriculture in the EEC to about 10m but would increase overall production by little more than 20 per cent, reflecting the generally low level of efficiency and structural inadequacies of the candidate countries. A good deal of production, moreover, is concentrated in sectors like wine, citrus and olive oil, where Mediterranean producers in the existing EEC are already facing problems.

French and Italian farmers are afraid that competition from producers enjoying substantially lower costs, especially in Spain, would add to their present difficulties, and their concern is shared by their national Governments. Italy is pressing for substantial EEC investment, to make its southern agriculture more efficient, and more generous support for Mediterranean products, while France has talked of setting minimum prices for intra-EEC farm trade. It is no secret that the UK supports enlargement strongly partly because it believes that it would hasten the demise of the hated Common Agricultural Policy.

Industrially, a distinction must be drawn between Greece and Portugal on the one hand and Spain on the other. The first two countries have achieved a relatively modest level of industrialisation, much of it centred in areas like textiles which are in deep decline in the EEC. They have already been told that they must not expect to increase their textile exports once inside the Community and must avoid adding to the overcapacity problems already existing in the EEC's shipbuilding, steel and refinery industries.

Spain, by contrast, has built up a much broader industrial base and is regarded as a formidable competitor already in exports of motor cars, commercial vehicles and crude and finished steel. None the less the Commission believes that Spain's balance of payments, like those of the other two candidates, would suffer in the early years of membership as it progressively eliminated tariffs and quantitative restrictions on imports from the rest of the EEC. All three prospective members would also be obliged to cut their external tariffs on imports from other Mediterranean countries, further reducing the protection of their home markets.

## Official

The official view in Brussels is that such disadvantages would be compensated in the longer term by the dynamic effects of belonging to a much bigger market. But that presupposes a considerably more vigorous rate of economic growth by the Nine than they have been able to manage since the 1973 oil crisis. Otherwise, enlargement would be likely to result in a worsening of the disparities in national economic performance which have been widely blamed for impeding progress towards further integration within the Community.

The Commission has repeatedly called, though with diminishing conviction of late, for a substantial transfer of resources to the candidate countries to enable them to come up to speed economically. But West Germany, the de facto paymaster of Europe, has so far failed to respond to this appeal, although it and other governments are apparently prepared to consider some form of special assistance for Portugal both before and after accession. Whether such support will go beyond what is needed merely to prevent Portugal's current economic crisis from deteriorating further remains to be seen. Germany is also insisting that the EEC shelve the application of one of its cardinal principles, free movement of labour, to the new members. Fearing an increase in its already large immigrant worker population, it has said that it cannot accept such a step before 1990 at the earliest.

Institutionally, enlargement will pose a number of challenges to the Community. Its structures and procedures have remained fundamentally unchanged since it was founded more than 20 years ago, and there are good reasons for questioning whether they will be able to function effectively in an EEC embracing twice the original number of countries.

The problem is seen at its most acute in the decision-making process of the Council of Ministers. Both the Commission and a number of smaller countries believe that without wider application of the principle of qualified majority voting (reserved mainly at present for deciding the EEC budget), an enlarged EEC could rapidly become paralysed at its nerve centre. But both Britain and France, the two countries most concerned at EEC encroachments on their national sovereignty, flatly refuse to entertain such a move.

The admission of Greece is also likely to have an important bearing on the EEC's external policies. The Community's relations with Turkey have been under strain for several years and Ankara is deeply suspicious that Greece, once a member, will use its influence to the detriment of Turkish interests. If fresh hostilities were to break out between Greece and Turkey after enlargement, the EEC could find itself in a difficult position. To say the least, great restraint would have to be exercised on all sides if it were to avoid being dragged into the conflict.

It is clear that digesting the entry of Greece, Portugal and Spain is likely to pose at least as many challenges to the EEC as the last enlargement, whose consequences are still being felt in many areas of Community life. If it is to be carried out successfully, without further weakening cohesion, it will require a good deal of political courage and a willingness to make material sacrifices on the part of the Nine.

President Giscard d'Estaing of France has suggested that three "wise men" be appointed to draw up an independent assessment of the implications of enlargement and recommend ways of dealing with them. His proposal is expected to be discussed at this week's European Council in Brussels. Though it is suspected in some quarters as a tactic aimed at coping with domestic political opposition in France, its adoption by the EEC could none the less help to clarify the Nine's thinking and perhaps induce a greater coherence in their approach to the task ahead of them.



# Preparing for a new Parliament

**ELECTIONS**

**Malcolm Rutherford**
*Political Editor*

DIRECT ELECTIONS to the European Parliament will take place for the first time in June next year. At this stage, however, that is about the only firm statement that can be made. All the obvious questions about the level of public interest, the impact that the new Parliament will have, and whether it will succeed in extending its powers are still open.

The problem arises partly because the elections have been so long in coming. They were originally envisaged in Article 138 of the Treaty of Rome, but a firm decision to go ahead was taken only in September, 1976. The Council of Ministers agreed then that the elections would be held "on a single date within the period May-June, 1978." There has since been a further slippage of one year.

The delays have undoubtedly influenced expectations. Had the elections taken place in the days of the founding fathers, it seems likely that the Parliament would have developed into a dynamic institution at least the equal of the Commission, and perhaps even of the Council of Ministers. As it is, the Community has changed in the interim, and not only because of the enlargement from six to nine members. There is no natural disposition today among national governments to give powers to a potential rival or trouble-maker. Power resides with the Council of Ministers, and beyond that the European Council. At the same time, such popular enthusiasm as might have existed for the Parliament must have declined for want of nourishment.

Nevertheless, it is a fact that direct elections will take place. European reactions seem to range from outright hostility in some sections of the British Labour Party, through varying degrees of indifference, to a belief that a directly elected Parliament is an essential prerequisite for restoring some dynamism to the Community. This last belief, however, has been somewhat overtaken by events. It could not be known when the elections were being planned that the event of the year would turn out to be the launching of the European Monetary System rather than the elections themselves. Whatever one may think of EMS, it can hardly be said any more that the Community is incapable of taking initiatives, and it has done so without bothering its head with the European Parliament. In that sense, the elections may have been overshadowed.

Still, the elections have to be fought, and the fact remains that Parliaments, especially young Parliaments, have a habit of demanding more powers rather than fewer. It will be a surprise if the directly elected Members do not try to assert themselves.

The first test will come in the level of interest the campaign manages to arouse. That in turn will depend partly on the candidates and partly on the reaction of the media. It is just possible, for example, that the spectacle of Herr Willy Brandt, the former West German Chancellor and still chairman of the Social Democrat Party, campaigning across Europe could command considerable attention. The idea of Community-wide elections is unique, and it could be that the media will push it for all that it is worth.

## Conglomerate

On the other hand, there is little obvious attraction for a television company in (say) Mr. Joe Bloggs campaigning in some vast conglomerate of a constituency in the English Midlands for election to a Parliament which few people know anything about, in which he probably doesn't believe, and which in any case has precious few powers. The media coverage will matter, but at the moment it is impossible to say which way it will go.

There may also be a question of differential turn-out. For instance, if the turn-out in the Netherlands is 85 per cent, in West Germany 70 per cent, in France 60 per cent and in Britain 35 per cent, one knows in advance what conclusions will be drawn about who is the more European. It is by no means inconceivable that the elections will create more friction than harmony.

Yet if the run-up to direct elections is unpredictable, the aftermath is even more so. The powers of the Parliament, which do not change merely because it is now to be elected, are limited but not entirely negligible. At the most extreme, it has the power to dismiss the Commission, but since that means the whole Commission, the power is inhibiting. It would be much more attractive to dismiss one or other individual member, but that is not allowed. There are also certain powers over the Community Budget, especially where expenditure is non-obligatory under the Treaties—although this latter category amounts to less than 20 per cent of total Community spending. There are powers, too, to ask questions and to pass resolutions, but not much more.

Beyond that, there is the question of influence rather than power. Influence, in this sense, means the opportunity to say something that will be listened to, perhaps widely reported, but not immediately acted upon. It concludes the possibility of speaking over the heads of the other Community institutions and getting through to a broader public, as well as perhaps using Strasbourg as a way into national politics.

It is generally assumed by those most in favour of direct elections, and perhaps feared by those against, that the powers of the Parliament will increase as a result. In the short-term at least, that is most unlikely. Both the present British and French Governments are firmly opposed to any such increase, and it could not be formally granted without changing the Treaty of Rome. Since that would require ratification by each member state, it would not be an easy matter.

There are, however, ways in which the Parliament could make more effective use of existing powers, and certainly one would expect it to extend its influence. For example, an elected Parliament is almost bound to make more noise, since its members will wish to be heard by the constituents who elected them. It is likely to insist more strongly on proper answers to questions whether to the Commission or to the Council of Ministers. It will probably make a bigger row about Community expenditure, and it could be that it will find a natural ally in the Commission, which itself feels sometimes slighted by the Council. The Commission could become if not the servant of, at least the civil service of, the Parliament.

The extension of influence will depend partly on the campaign and partly on who is elected. But if the campaign does arouse general interest and the quality, or at least the publicity value, of the new Parliament is high, then the interest could become self-sustaining. A European Parliament debate on the future of the Common Agricultural Policy, for

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# Shaky path to monetary union

## EMS

Guy de Jonquieres

THE EEC is on the threshold of what may well turn out to be the single most important decision affecting its future since the six original members agreed to admit Britain, Denmark and Ireland into their company. The die will be cast in Brussels this week, when leaders of the Nine Governments complete preparations for the planned European Monetary System (EMS) and declare whether their countries will participate in it when it goes into effect early next year.

Depending on one's standpoint, the launching of the EMS is either a commendable act of political leadership and imagination of a kind conspicuously lacking in Europe in recent years, or it is an ill-conceived venture, whose technical shortcomings will prevent it from realising the objectives envisaged by its supporters.

The scheme has moved remarkably quickly from the stage of conception to the point of action. It is just over a year since Mr. Roy Jenkins, President of the European Commission, urged governments to reconsider the idea of creating an economic and monetary union. It is less than nine months since Chancellor Helmut Schmidt of Germany and President Giscard d'Estaing of France answered his call by proposing to their EEC colleagues in Copenhagen that they establish together a European "zone of monetary stability."

While EMS may be seen as a step on the road towards monetary union, it is of course less ambitious than the latter goal. There is no provision at this stage for a move to a common currency, with the pooling of national authority that that would entail—indeed, the form of the scheme after its initial two-year "running-in period" remains distinctly uncertain. Nor, so far, has there been any firm commitment to a transfer of resources by the wealthier countries, which Mr. Jenkins saw as essential to the maintenance of eventual EMU.

The driving motives of the French and German leaders have been largely of a practical nature. For both of them, the main purpose of EMS is to minimise Europe's exposure to volatile currency movements, which they believe have stunted growth and trade and aggravated inflation. Herr Schmidt has been under pressure from German exporters to do something to prevent their international competitiveness being eroded by the inexorable rise of the D-mark. By the spring of this year, moreover, he was becoming openly irritated with the Carter administration's failure to check the steep decline of the dollar.

President Giscard, for his part, has undoubtedly been influenced by traditional Gallic suspicions of American "hegemony." He is also committed to a bold programme of revitalising French industry in a bid to raise its efficiency and competitiveness to German standards. Both countries do more than half their total trade with other members of the EEC. So that there already existed a basic framework of economic inter-relationships on to which a European monetary initiative could be grafted.

## Unstable

Britain has been no less anxious about unstable currencies. But it has been reticent about EMS both because it perceived in it an anti-American tinge and because of genuine doubts about the consequences for its own economy of joining. The Labour Government has also been under intense pressure from within its own ranks to resist any moves which could strengthen EEC influence over national policy.

These considerations led the UK initially to campaign for a much broader currency stabilisation plan which would embrace the U.S. and Japan as well as Europe. But its efforts to win wider support fell flat. By the time Britain realised that the political momentum behind EMS was not going to evaporate, it was too late to do much more than fight a rear-guard action to have its design amended.

Italy and Ireland also fear that the monetary disciplines implied in EMS could have adverse economic effects, though the plan is far more attractive to them politically. The Benelux countries and Denmark, however, needed little persuasion. With Germany, they are founder-members of the snake, in which countries agree to limit the fluctuations of their currency to within 2.25 per cent on either side of central rate. Their main concern has been that the new system should be no less rigorous and durable than the snake.

How different an animal EMS is from the snake may become clear only after it has been in operation for some months. France, which has twice suffered the indignity of having to leave the snake, has insisted from the beginning that the new scheme embody a number of extra elements. But Britain, at least, has argued that many of these features have been diluted or abandoned altogether and that the exchange rate scheme is now not much more than an enlarged D-mark zone.

In deference to the French, the EEC summit in Bremen last July agreed that the new "European currency unit" (whose initials spell the name of an old French coin) should be "at the centre of the system." It was to have the same value as the European unit of account, a weighted average of EEC currencies used to calculate the Community budget.

The Bremen meeting also stipulated that EMS would be backed by credits totalling 25bn ECU (about $33bn). These would be created through the deposit by EEC countries of a portion of their national gold and dollar reserves, in exchange for which they would receive ECUs. These would then be used for settling debts between European central banks arising from foreign exchange market intervention.

The Bremen communique was, however, imprecisely phrased. When finance ministers sat down in Brussels early last autumn to draw up a detailed plan, they soon discovered that it was capable of multiple and often conflicting interpretations. Disagreements centred on the precise exchange rate mechanism and intervention rules to be used, and these questions have dominated the debate from the start (so much so, that some other elements of the Bremen communique, including the use of ECU for official settlements, have never been properly developed). But though often couched in arcane technical language, the debate has in fact mirrored sharply diverging national views on what the EMS should be about.

## Growth

Put at its simplest, the position of Germany, backed by its snake partners, has been that sustained economic growth can be achieved only if inflation is kept in check through the exercise of fiscal and monetary restraint. It argues that countries which attempt a dash for growth by allowing their currencies to depreciate and stimulating their economies vigorously, succeed only in fuelling higher inflation, which soon acts as a brake on their policies. By contrast, countries which pursue prudent monetary policies are rewarded by a mutually-reinforcing pattern of low inflation and stable currencies.

The exchange rate and intervention system backed by Germany is consistent with this view. It is based on a so-called parity grid in which a currency's value is related directly to other participating currencies, as in the present snake. Fluctuation margins would be set so that when one currency touched its ceiling another would automatically hits its floor, requiring intervention by both sides.

Britain, arguing from the opposite end of the debate, has contended that there is little point in linking EEC currencies more closely while the performance of national economies differs widely. Attempts to force sterling into a straitjacket with the Deutschemark and other strong currencies would leave the Government with an uncomfortable choice between pursuing excessive deflationary policies, which would further increase unemployment, and resorting to frequent devaluations, which would undermine the whole purpose of EMS. The UK argues that weaker snake members have had to spend large amounts of reserves and run their economies at low levels of demand in order to stay in an arrangement which has been constantly subject to upward exchange market pressure on the Deutschemark.

With Italian and some French support, Britain has pressed for an alternative to the parity grid, based on a "basket" in which each currency would be defined in terms of a weighted average of all currencies. When one currency began moving away from the others it could be clearly identified, and the obligation would fall squarely on the national monetary authority concerned to take the necessary action to bring it back into line. Thus the Bank of England would not have to intervene to stem a rise in the Deutschemark unless sterling happened to be under strong selling pressure at the same time.

The formulation has, however, been stoutly resisted by Germany because it would be likely to increase the need for Bundesbank intervention, thereby boosting German money supply and stimulating inflationary pressures. The most that Germany seems likely to accept is a compromise whereby the "basket" would serve as an early warning system which would trigger consultation, but not action, when one currency began diverging from the others. As a special concession to Italy, however, the lira will probably be allowed wider margins of fluctuation in the parity grid than other currencies.

The UK has already indicated that it does not plan to become a full member of EMS from the start (even though, ironically, it seems likely to adopt monetary policies outside the scheme as strict as those that it feared would be necessary inside it). But it is also keen not to be left completely on one side and has been trying with some success to convince its partners that it should be associated with some aspects of the EMS while leaving open the option of full participation later.

## Isolation

This tactic reflects two main concerns. One is that total exclusion from EMS could lead to Britain's political isolation and relegate it to the lower stratum of a two-tier EEC. The other is that if it stayed outside the system Britain would be deprived of the leverage it needs to persuade its partners to reform the EEC budget, which works increasingly to its financial disadvantage. Although the third poorest EEC member in terms of gross domestic product per head, the UK is likely to become the single largest net contributor to the budget by 1980, with a payment of more than £800m.

Britain has insisted that EMS should be more than just an exchange rate system and should be flanked by measures designed to iron out anomalies which discriminate against poorer countries. This general view is backed by Italy and Ireland, which have been seeking an increase in EEC investment aid to bolster their economies. But Britain's goal is more ambitious and controversial. Because its poor deal is due largely to the fact that it gains little benefit from the Common Agricultural Policy, which accounts for three quarters of EEC spending, it demands inevitably call into question the CAP's future.

In several continental capitals, where the CAP is cherished, Britain's position has been angrily condemned as an attempt to re-negotiate the terms of its EEC membership a second time. Mr. James Callaghan's delicate task this week will be to convince his colleagues that Britain is firmly committed to staying in the Common Market and to supporting EMS, while trying at the same time to get them to agree to steer EEC policies in a direction which will remove those features most objectionable to the UK.

# Parliament

CONTINUED FROM PREVIOUS PAGE

example, or simply on the future of Europe could command more than the usual attention if the participants included a number of distinguished elder statesmen as well as some promising newcomers to the political scene. The Parliament could also be remarkable in being the most supra-national of Community institutions, thus leading to a new growth of European feeling.

Yet, even on this modest level, the new Parliament is likely to face opposition from national governments, from the Council of Ministers and, not least, from the Parliaments in the member states. None of the national Parliaments will lightly concede power to a potential rival. This problem is particularly acute in Britain, where the major political parties are doing their best to end the dual mandate, yet where there are few clear ideas as to how the Labour or Conservative members in Strasbourg will co-ordinate with their counterparts in Westminster. It is in many ways a recipe for discontent, but again discontent can be creative.

In the longer run, there are other possibilities. Even in the appointed Parliament to date there have been some notable developments. Some British MPs have learned to know and admire the Committee system, even while continuing to dislike the Community as such, and have brought their experience back to the House of Commons. There have also been the new cross-national groupings, especially, but not only, between the European Liberal Parties. National MPs who have gone to Strasbourg have learned something about other countries that they might not have learned otherwise.

This process of cross-fertilisation should not be underestimated. Direct elections should accelerate it. But whether they will do much more than that must remain at this stage anyone's guess. If one had to hazard a prediction, it would be that if EMS shows signs of working, the moment for direct elections could be peculiarly ripe. Europe would again be advancing on more than one front. But direct elections in themselves are unlikely to prove much of a new dynamic.

**Malcolm Rutherford**

# An improved performance

**ECONOMY**

**Peter Riddell**
*Economics Correspondent*

THE PERFORMANCE and prospects of the main economies of western Europe have improved during the last year. The change has not been dramatic, or as much as might have hoped, but there has at least been movement, in contrast to the experience of the previous two or three years when expectations have generally had to be regularly downgraded.

The main progress, if it can be described as such, has been in preventing a further deterioration rather than in laying the foundations for the common objection of "sustainable non-inflationary growth." But the average rate of price inflation has been reduced slightly within Europe and divergences have narrowed at least compared with the mid-1970s. Moreover the balance of payments position on current account of some countries has improved significantly and in other cases there has been no significant deterioration, while the rate of growth of output has picked up from the low levels of last year.

This has also provided the background for a greater stability of exchange rates within Europe—though not, of course, against the dollar—compared with the previous two years. The convergence of performance achieved so far, and the considerable remaining divergences, have been the springboard for the Franco-German proposals for a European Monetary System which have preoccupied economic discussion within the EEC for the last six months.

The starting point is the common experience of 1973-76 when there was a very rapid expansion of output in every European country followed by a long and deep recession as countries dealt with the inflationary results of the boom and the sharp rise in commodity prices, notably oil. However, this left the main European countries with widely different inflation and current account experiences.

## Increase

In industrialised Europe as a whole, the rate of increase in consumer prices rose from an average of 4.5 per cent in the decade 1962-72 up to just under 13½ per cent in 1975—the trough of the recession—but this covered a range of 24.2 per cent in the UK and 17 per cent in Italy down to 6 per cent in West Germany. There was also a wide divergence in current balances in 1975, ranging from the $3.8bn deficit of the UK to a surplus of almost the same size in West Germany.

The strong recovery in most countries from the late summer of 1975 onwards did little to reduce these differences. Indeed, the contrasts became rather wider in 1976 with Germany remaining in substantial surplus, along with Switzerland and the Netherlands, while France moved into substantial deficit and Italy and the UK showed few signs of significant improvement. At the same time, while the overall rate of inflation in Europe declined to just under 11 per cent in 1976, the differences remained wide. The UK and Italy were still at the top of the range at between 16½ and 17 per cent (with even higher rates in certain smaller countries) and West Germany cutting its rate to 4.5 per cent.

These continuing divergences were accompanied by a period of considerable currency instability. The prolonged sterling crisis of March to November 1976 and intense pressure on the lira lead to approaches by the UK and Italy to the International Monetary Fund for loans, while the French franc was forced to leave the snake, the existing European joint float, for the second time.

All this was followed by the adoption of stabilisation programmes, both by these major economies and by some of the smaller European countries. This restricted the rate of growth in Europe as a whole until earlier this year.

These programmes have at least partially succeeded in their objective with a reduction in the French deficit from $6.1bn in 1976 to $3.2bn last year and a surplus of $2.25bn *this year, according* to the latest estimate from the Secretariat of the Organisation for Economic Co-operation and Development in Paris. In Italy, the turnround has been even more dramatic as the $2.8bn deficit of 1976 was turned into a $2.3bn surplus last year, with an estimatned $5.5bn surplus in 1978. In the UK, the progress has been from a deficit of $1.5bn in 1976 through a surplus of around $500m last year to around a balance or a small deficit in 1978.

## Inflation

There has also been progress in reducing the rate of inflation, though the average rate of increase in consumer prices in Western Europe should be just over 9 per cent this year, according to the National Institute. This compares with a rate of 11.2 per cent in 1977. In Italy, the rate has been cut from 17 to 12 per cent over the last year and in the UK from 15.9 to 9.2 per cent, though the French rate has shown little change at between 9½ and 10 per cent.

The improvement in the external position of the intermediate or convalescent economies, such as France, Italy and the UK led them to adopt a less restrictive fiscal stance from late last year onwards. This was coupled with specific expansionary action by West Germany in response to a concerted programme agreed at international meetings last summer and autumn.

The result of the more relaxed fiscal stance and an expansion in the growth of the real money supply has been a modest acceleration in the overall rate of growth of output. A rise in real Gross Domestic Product of 2.8 per cent is projected for this year in western Europe by the National Institute, compared with an increase of 2.2 per cent last year and an average rate of expansion of 3.8 per cent in the decade 1966-1976.

The latest OECD estimates indicate a pick-up in the rate of growth of GDP in the UK from 0.7 per cent last year to 3 per cent in 1978; in Italy from 1.7 to 2 per cent: in West Germany from 2.4 to 2.9 per cent with little change in France at around 3 per cent.

## Unemployment

None of this adds up to a spectacular improvement, especially as unemployment has only come down slightly, if at all, from recent high levels. Moreover the rate of inflation generally throughout Europe remains much higher and the rate of growth of output much lower than in the 1950s and 1960s. But the modest pick-up in growth in the past few months — notably in West Germany where construction activity has been buoyant—has led to the view at recent international meetings that the broad direction of policy is on the right lines. There has been no pressure for renewed expansionary moves in view both of the need to continue to fight inflation and to avoid a return to major current account imbalances within Europe. There *is also* concern *about* the impact of the sharp fall in the dollar in 1977-78 upon the prospects for export growth.

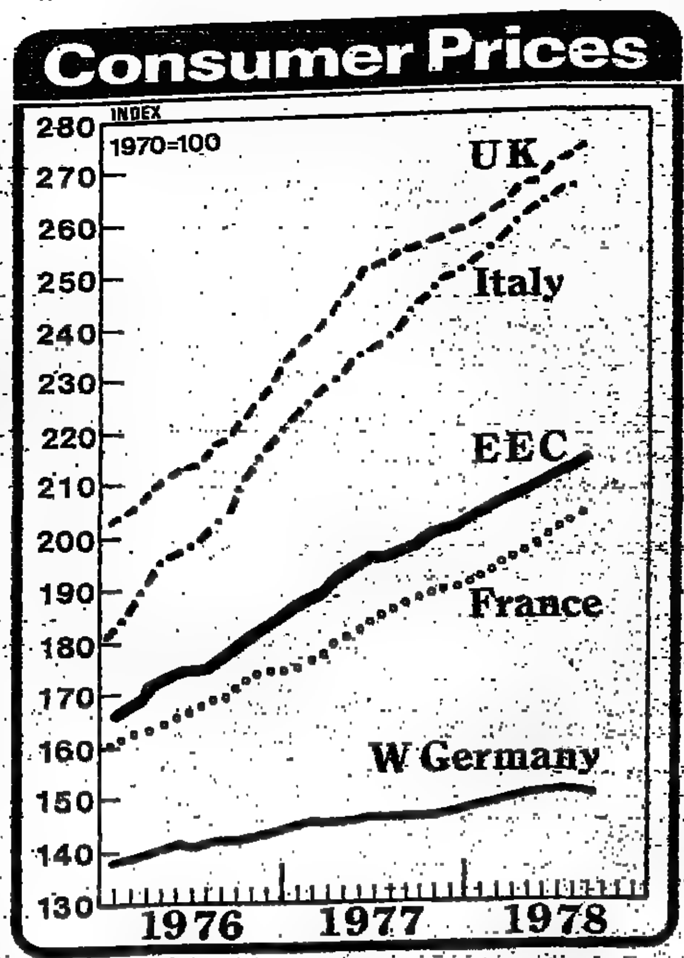
The view of most forecasters is that prospects for the main western European economies should remain relatively bright next year, at least by comparison with the mid-1970s. There should be a modest further improvement in the rate of growth of output in the stronger European economies but this is unlikely to be sufficient to offset the expected marked slowdown in the U.S. and slight slackening in the expansion in Japan. So the overall growth of Gross Domestic Product in the OECD area is projected to decline from 3.6 to 3.3 per cent with Europe taking over as the major contributor to world economic expansion next year. However, since the European economies are more dependent on foreign trade than the U.S., no slackening is expected in the growth of world trade after the pick-up this year.

Some commentators believe that growth may not even be up to this level because the slowdown in the U.S. may be sharper than so far expected, while West German exports may be affected more than so far estimated by the appreciation of the D-mark against the dollar. Moreover, the determination to fight inflation in the so-called convalescent economies means that there is unlikely to be any further significant expansionary action in France or the UK, and possibly more restrictive measures. In the short term the establishment of the European Monetary System could act as a constraint as countries with weak currencies seek to keep within the system.

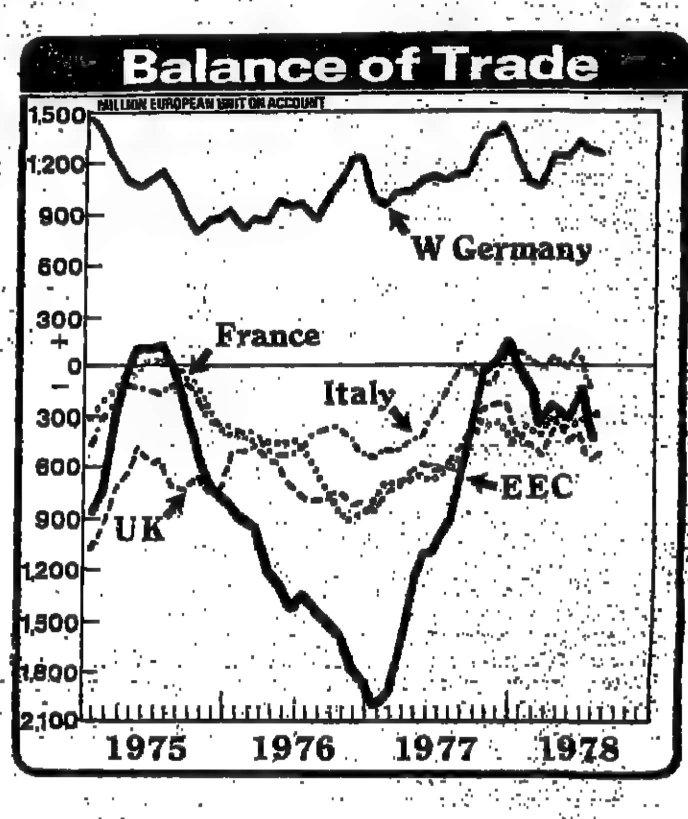
Among the major economies, the growth of West German output is projected by the OECD Secretariat to rise from 2.9 to 3.9 per cent, with expansion in Italy up from 2.0 to 3.5 per cent, and in France from 3 to 3.5 per cent—offset only partially by the projected slowdown in the UK from 3 to 2.5 per cent. This pattern is expected to be consistent with continuing current account surpluses in the major economies, though with possibly a slight reduction in the surplus in West Germany but a small increase in France and Italy.

The rate of consumer price inflation is, however, only expected to decline by a small amount—down to perhaps 8.2 per cent from 9.1 per cent this year in Western Europe. Few forecasters expect a significant narrowing in the gap between the inflation rate in West Germany of 2¾ per cent and that of 8 to 11 per cent in the other major western European economies. And that is the main challenge which a successful EMS will have to overcome.

**Consumer Prices**




**Balance of Trade**










# Tougher attitudes

**DEVELOPMENT**

**Margaret van Hattem**
*Economics Correspondent*

EUROPE, SUFFERING from industrial stagnation with more than 5m unemployed in the EEC alone, no longer feels quite as embarrassed by Third World poverty as it use to. Nor is it quite as worried as it once was that Third World commodity producers, encouraged by the OPEC success, might try their hand at something similar. The wave of mini-OPEC's to control the world's commodity markets never arrived. So it is not surprising to find European attitudes to development aid and co-operation growing much tougher.

Talk of a new world economic order to redress the imbalances between suppliers and usesrs of raw materials sounds hollower and more academic than ever before. Negotiations for an international common fund to stabilise commodity prices are floundering. The future of the much-heralded north-south dialogue is highly uncertain. And the "enlightened self-interest" that first led the industrialised world into these areas seems to have grown a little more self-interested in the intervening years.

Once there was talk of the industrailised countries moving into high technology industries to allow developing countries a greater share of markets for less sophisticated, labour intensive production. But as high technology industries and service sectors become more computerised and automated, reducing the scope for alternative employment, the developed countries are having second thoughts about exporting jobs.

The climate has changed a lot since the negotiation of the first five-year Lome convention between the EEC and the African, Caribbean and Pacific (ACP) countries, which means the current negotiations for Lome 2 are not going to get any easier. The Community is not about to renege on its obligations, but nor is it about to take on a lot more. The ACP countries want a radically new convention rather than the slightly modified extension of the old one that the Community has in mind, but they will have to fight hard for any major changes.

## Hailed

The 1975 Lome Convention, once hailed as a model for future north-south co-operation, has disappointed many in the ACP camp who had hoped it would put them much further ahead of the rest of the Third World in dealing with the Community than has ben the case. The main points of the agreement included non-reciprocal access to EEC markets for all ACP products except a few temperate agricultural products which would compete with those produced within the Community; a stabilisation fund (STABEX) to compensate ACP producers for losses in export earning from basic raw materials; financial aid, industrial and technical co-operation; and a special protocol ensuring EEC purchase of 1.4m tonnes of ACP cane sugar at EEC prices.

But the ACP share of EEC markets is now smaller than it was before the Convention came into effect. And the Community's progressive widening of its system of generalised tariff preferences (GSP) on semi-manufactured and manufactured gods from the developing world has eroded the ACP advantage over, for example, Asian and Latin American countries. Meanwhile, the returns guaranteed by the STABEX fund have shrunk in real terms because of inflation.

This leads to one of the major points of contention in the current renegotiation. ACP countries want STABEX drastically reformed. They want a biggerd budget than the current 75m units of account a year; they want it to cover a wider range of products than the present 19; and above all they want some form of indexation, linking returns on primary products to rising prices on EEC exports of industrial goods.

At this stage, they have little cause for optimism. Even though the EEC commission might be prepared to consider some of these demands and try to meet them half way, the Commission is not politically responsible for the decisions taken in response to its proposals. This is left to the Council of Ministers, who generally take a much tougher line. There may be some increase in the budget, but it is unlikely to be dramatic; the range of products may be widened—possibly to include copper which accounts for 20 per cent of ACP exports to the Community; but the EEC has no intention of introducing indexation. "The Convention aims only to ease problems, not to solve them," is the Commission's explanation. Moreover, it is suggested that indexation within the Convention would discriminate against non-ACP developing countries who export the same products to the Community but face falling terms of trade.

The Community is already under pressure in this area because of its plans for enlargement. Apart from its commitment to the ACP countries, the EEC also has preferential agreements with the Maghreb countries (Tunisia, Morocco and Algeria) and the Mashreq countries (Jordan, Egypt, Lebanon and Syria) granting free access to EEC markets for non-sensitive industrial goods, and tariff cuts on Mediterranean agricultural products such as citrus fruits. At the moment, these countries enjoy substantial advantages over the three countries applying for EEC membership—Portugal, Spain and Greece. Once they join, however, although the access of the Maghreb and Mashreq countries to EEC markets may remain the same, the demand for their products will drop.

Further pressure on the Community is likely to come from the ASEAN countries—Singapore, Thailand, Indonesia, Malaysia and the Philippines. They are seeking a co-operation agreement with the EEC and continue to press for guarantees on earnings from raw materials exports similar to those offered by STABEX, despite persistent EEC refusal to contemplate this outside a much wider north-south context.

# New agreements likely soon

**DEFENCE**
**Reginald Dale**

WHEN NATO Ministers gather *for their annual winter meeting* in Brussels this week, they will be able to look back on what by recent standards has been a successful year. The high-point was undoubtedly the May Ministerial meeting in Washington, at which the West sent out two important signals to the Warsaw Pact. The first was the *assurance by President Carter*, in the strongest terms since he assumed office, that the U.S. would use the full force of its military might, including strategic nuclear weapons if necessary, to defend Western Europe. The second was the Alliance's formal launching of a long-term defence programme, aimed at strengthening and streamlining its forces in virtually every operational sector.

President Carter's statement itself had a dual purpose. The first was to warn Moscow that there can be no question of *West European security* becoming, in the fashionable jargon, "uncoupled" from that of the U.S. The second was to allay the fears of his European allies on precisely the same score. These fears have arisen partly as a result of the way in which Washington has conducted bilateral strategic arms limitation negotiations with Moscow (SALT), so far leaving the European theatre untouched, and partly as a result of the reluctance of the U.S. since the Vietnam debacle to play the role of world policeman. In simpler terms, President Carter was *telling the Russians* that they cannot expect to get away with a limited military adventure in Western Europe.

## Implications

The implications of the decision to go ahead with the *long-term defence programme* were equally clear. For many years the Western allies have watched the inexorable build-up of Warsaw Pact military strength and done little but wring their hands. But a turning *point has been* reached in the past 18 months as the size of the Soviet build-up has finally sunk in on Western European Governments and public opinion. Few governments in Western Europe are happy to *increase defence spending. But* nearly all the European members of the Alliance have now followed the American lead and pledged themselves to increase defence expenditure by an annual 3 per cent in real terms during the period 1979-84. The *message* is that the West no longer plans to ignore the pace and extent of the Soviet *armaments programme*.

At this week's meeting the Ministers will not be able to take the programme much further, given the short space of time in which it has so far been in operation. They will have their first chance to review progress when they meet again in the spring. There is real hope. *however*, that the coming days will finally settle a long-running issue that has devoured Ministerial and official time over the last few years—the establishment of a NATO airborne early warning force flying *the so-called AWACS* aircraft. Britain, impatient with the continuing failure to agree, went ahead with its own 11-strong *Nimrod force* 18 months ago. Now the signs are that the other countries may at last have put together a financial and operational package that would add a further 18 Boeing E-3 aircraft, based mainly in West Germany. The new force would greatly reduce NATO's vulnerability to surprise attack.

*Hopes have also risen in* recent weeks that the European allies may at last be near a breakthrough in another area that has been under negotiation, so far unsuccessfully, for the past three years—joint arms procurement. Studies in the Independent European Programme Group (IEPG) have now reached an advanced stage on *four possible candidates for* collaboration—tactical combat aircraft, heavy helicopters, 105 mm ammunition and light anti-armour weapons. Agreement on the first joint project, if it comes in the next few months, would give the IEPG a much-needed fillip.

But none of this should cloak the major problems that the Alliance still faces. The long-term defence programme will at *best prevent NATO falling too* far behind the Warsaw Pact. While the Allies are increasing their spending by 3 per cent a year, Soviet spending is increasing steadily at around 5 per cent a year and consistently ac*counts for some* 11 to 13 per cent of Gross National Product, according to most Western estimates. NATO studies suggest that this level of spending will be maintained—at the expense of *other sectors*—even if the Soviet *economy*, as is quite likely, runs into difficulties in the years ahead.

*What particularly* worries NATO is not the increasing size of the Warsaw Pact forces, which have only modestly expanded in recent years. It is the dramatic improvements in quality that alarms the West's *military strategists. General* Alexander M. Haig, the Supreme Allied Commander in Europe, has on many occasions expressed his concern that the quality improvements in the Warsaw Pact's forces are excessive when *assessed against Western* defence capabilities. The Warsaw Pact's growing power exceeds what would be necessary for defensive purposes by any objective criteria, and this at a time when the Soviet Union is "*increasingly willing to indulge* in interventionism, directly or through proxy forces, in a global context," General Haig said in a recent interview. It is not just the strength of the Warsaw Pact's ground forces in Central Europe that cause concern. Senior NATO officials believe that if present trends continue, the West's naval superiority will be in jeopardy early in the 1980s, while there have also been massive improvements in the capability of Warsaw Pact airforces.

## Reduction

Nor has Moscow shown any sign of the moderation called *for by President* Carter when he announced that he was suspending production of the so-called neutron bomb. The build-up has gone on relentlessly, and there has been no breakthrough in the Vienna East-West *force reduction talks* (MBFR), leading President Carter to announce in October that he was keeping open the option of deploying the bomb. The MBFR talks are still stalled over the disagreement between *the two sides over the precise* number of troops involved on either side, and there is no chance of concluding the talks until this tiresome issue is resolved. After years of negotiations aimed at clarifying the *data problem, most Western* officials have come to the conclusion that the Russians are deliberately misrepresenting the size of the Warsaw Pact forces in Central Europe. In Geneva, the trilateral negotiations *between the U.S., the Soviet* Union and the UK on a Treaty banning all nuclear testing are still bogged down on the tricky question of how to verify the agreement, and despite optimistic noises from both Moscow and *Washington*, the SALT 2 agreement has still not been signed well over a year since SALT 1 expired.

Once SALT 2 is concluded and SALT 3 negotiations get under way, there will be further headaches for the European allies. Moscow would like to include medium-range nuclear weapons targeted at the Soviet Union from Western Europe, such as the French and British deterrents, in future negotiations. The West Germans, who are particularly alarmed at the power of the Russian nuclear threat to Western Europe embodied in the *SS-20* missile and the Backfire Bomber, would like to find a way of bringing this threat under control. But it is far from clear that France or the UK will be prepared to sacrifice their deterrents in exchange for limits on the SS-20 and the Backfire. Nor are the Russians in any case likely to be prepared completely to dismantle both systems in exchange for the abolition of the French and British deterrents. Some would argue that the *answer is* to counter the threat by deploying new longer range weapons, such as the Cruise missile or the Pershing II, in Western Europe. The risk here is of creating a "Eurostrategic" balance that Moscow *might* interpret as permitting a limited nuclear exchange in Europe without triggering the U.S. intercontinental deterrent.

While these issues are bound to be the subject of prolonged debate in the coming years, the Alliance also has its own internal problems to attend to. Most *serious* is the *continuing* tension between Greece and Turkey. By lifting its arms embargo on Turkey, Washington has reinforced the alliance's ailing Eastern flank and probably *facilitated a rapprochement between Greece and Turkey*—although Athens would deny it. But the continuing disputes between the two countries over Cyprus and the Aegean are no nearer solution. 1978 may have been a good year for NATO, but *there is still plenty of room for* improvement in 1979.

# Talks reach a crucial stage

**TRADE**
**Lorne Barling**

THE events leading to the *eventual success or failure of* the Tokyo Round of trade talks in Geneva have recently created difficult dilemmas for both the United States Administration and the European Community governments.

There is no doubt that because governments on both sides of the Atlantic are well aware of the considerable dangers in failing to conclude the GATT agreement in the near future, their negotiating positions have become closer on all but the most contentious issues.

The position of the nine EEC countries has been greatly influenced by the matter of timing, related to the inability of the U.S. Administration to push through Congress an extension of a waiver on legislation which obliges it to impose countervailing duties on subsidised imports from January 4.

Although this may once have been regarded as a U.S. bargaining counter, it has caused serious embarrassment *to the Americans, since* the EEC countries' reaction was one of alarm followed by a refusal to negotiate under what they regarded as a serious threat to exporters. That has been underlined by the decision of Danish meat canners to give notice to workers in anticipation of a sharp fall in U.S. sales.

Since then the U.S., like Japan and most other participants in the talks, has pressed for a conclusion of the substantive *talks* before the end of the year, although this will be difficult, due in part to the recent problems on agriculture between the U.S. and the EEC. Earlier the U.S. had urged the EEC governments to accept an assurance *from Mr. Robert* Strauss, the U.S. Special Trade Representative, that a way would be found to prevent the implementation of the countervailing duties.

Mr. Strauss proposed that the Administration would table a Bill extending the waiver as soon as the Congress reconvened in *the middle of* January. This, and a promise that the Community would not have to conclude a deal on the assurance alone, was enough to persuade the Commission to recommend to governments that negotiations go ahead.

This crucial aspect of the negotiations involves an important concession *by the* EEC over a matter which could cost exporters dear should Congress refuse *to toe the line, but* pressure of time has become an even more dangerous threat, in that the talks may never come to fruition.

Agreement by the Com*munity governments* to accept the Strauss formula would, however, give the Administration another link in the chain of events towards successful conclusion; it would allow Mr. Strauss to present Congress with a negotiated package by the end of *the* year, and encourage its compliance on the matter of the waiver.

Should the Community governments decide that they could not accept the risks, there is little doubt that the entire talks could be set back by several months, and because U.S. legislation covering the Tokyo Round has little more than a year to run, the agreement *would be a close-run thing*.

The consequences of a failure *of the talks* barely need repeating, but such an outcome would clearly provide protectionist forces with the power to limit imports more successfully, hitting not *only the major* trading nations such as Britain, but the developing countries which have already expressed uneasiness at the talks over the lack of measures which would benefit them.

The basis of the present *crisis* in the talks, the strong U.S. objections to the level of subsidies in Europe, which, domestic industries claim, has been *partly* responsible for their problems, is only part of another threat to the overall structure of world trade.

It is argued that unless the existing GATT provisions on subsidies, such as government aid, are tightened up and clarified by the adoption of effective procedures for consultation and settlement of disputes, the benefit of any new *trade package may amount to* very little.

Much of the argument between the EEC and the U.S. on the matter of subsidies arises from the fact that the U.S., alone among the negotiating parties, has been exempted from having to conform to the article requiring proof of injury *before* countervailing duties are imposed. This was because there was no injury test in the U.S. legislation when GATT came into being *in 1947*.

## Argument

*Just as the U.S. is strongly* opposed to European subsidies, the EEC countries would like to see the U.S. come into line on countervailing duties. These positions certainly contributed to the inability to agree on how *subsidies should be classified*, if at all, and whether an automatic triggering system of countervailing duties *should* be adopted.

On a broader level, the main sticking points in the negotiations have been the overall level of tariff reductions, the question of better U.S. access to the EEC market for agricultural products and the problem of how selective safeguards against disruptive import *competition* should be.

The various troubles within *specific* industrial sectors within the EEC, such as man-made fibres, shipbuilding and steel, *have* also led to the formation of so called crisis cartels, which though clearly transgressing the spirit of the Treaty of Rome, have been sanctioned as a temporary measure to allow time for restructuring by the control of prices and output, and of imports.

However, despite some success with the Davignon steel plan, cartels have come up against severe criticism on the grounds *that they* do not achieve their purpose (through the inability of the Commission to exert much influence on how restructuring is carried out), and that they foster a collusive relationship between industries and governments.

If illustrations of the increase in protectionism are necessary, one need go no further than the EEC itself, where member governments have been warned by *the Commission that illegal* barriers to trade between member countries have recently been growing at an alarming rate.

The Commission has warned that it may take action against these restraints, which are usually introduced as legitimate national rules covering public health, consumer information or product quality. Other devices used include certificates of origin, automatic licensing systems, the setting of minimum and maximum prices for certain products or concealed preferences by public authorities to domestic industries in public purchase contracts.

The Commission said that the barriers are inhibiting trade in a wide variety of mainly industrial products. Although it does not single out particular countries for blame, it claims that violations are widespread throughout the Community.

Western Europe as a whole continues to run a trade deficit on its overall trade with the rest of the world, but a major reduction in this deficit was achieved in the second half of 1977 and *the first half of this year*. In this period, according to a report by the UN Economic Commission *for* Europe, the deficit amounted to \$6.1bn compared with \$27.6bn in the previous 12 months.

*Roughly two thirds of this* massive cut resulted from an improvement in the real foreign trade balance and one third from gains in the terms of trade. The report says that the improvement in the volume balance *reflected the exceptionally slow* import growth—following the slow growth in output in Western Europe—while export growth to the rest of the world was maintained. The improvement in the region's terms of *trade was attributable mainly* to the decline in commodity prices, though exchange rates, particularly the fall of the dollar, contributed.

During the period there was also a substantial reduction in trade deficits with North America and the oil exporting countries, and a swing from deficit to surplus in trade with non-oil developing countries. Imports of oil from OPEC *countries fell partly as a result* of rising North Sea oil production, the report points out.

Every industrial West European country improved its trade balance with the rest *of* the world during the first half of 1978, and the UN Commission reports that during the past couple of months the economic climate in Europe has become markedly more optimistic, and economic prospects, at least in the short term, are at present generally considered to be better than for some time.

*However, it concludes* that this optimism is relative and should be viewed against the background of Western Europe's failure during the past two years to achieve any real recovery from the most severe and prolonged recession in the post-war period.

# No end to the debate

## FISHING
Richard Mooney

AS THE great British debate about entry into the EEC was reaching its height in the early years of this decade hardly a thought was given to the effect this decision would have on the country's fishing industry. Meanwhile, across the Channel the Six were hurriedly cobbling together a common fisheries policy to complement their Common Agricultural Policy and few people could have foreseen the controversy and acrimony that this policy was destined to stir up.

The Norwegians, however, were less complacent than the British. Fishing was and is one of the main planks in their country's industrial structure and they were not blind to the problems the new policy promised to bring.

Concern over the common fisheries policy is now recognised as having been one of the clinching factors in Norway's decision to remain outside the Common Market.

The motives of the original Six on this question were clear. The fish stocks in Britain's coastal waters are the richest in Europe and the fishing nations already in the Community saw an opportunty to lay claim to full right of access to these waters. Britain realised what was going on, of course, but set against the benefits it hoped to gain through EEC membership, the possible damage to fishing interests seemed insignificant.

In those days national limits extended only a few miles and most important fishing grounds were open to all anyway. And most of the U.K. fishing effort was in distant waters, off Iceland and in the North East Arctic. Furthermore the damage done to stocks by years of heavy over-fishing were not yet fully apparent.

This view of the situation was even shared by some fishing industry leaders. At the time of the referendum on EEC entry Mr. Austen Laing, director general of the British Fishing Federation, and several of his senior colleagues told the Federation's members that they were in favour of Britain joining the Community, although they recognised that it would not be good for the British fishing industry. It is doubtful, however, that they realised quite how bad for the industry it would prove to be.

Since that time the whole shape of the world fishing industry has changed and nowhere has that change been more profound than in Europe. The most dramatic change was the general switch to 200-mile national limits. Britain tried to resist this move in the case of Iceland but after the last abortive "cod war" was forced to accept the new situation and within a few months had declared a 200-mile limit of its own.

### Soured

The "cod war" had so soured relations between Iceland and Britain, however, that it proved impossible for the UK to secure even a nominal share of what were now indisputably Icelandic cod stocks.

Norway has also extended its limit to 200 miles, and while it is more willing than Iceland to negotiate for reciprocal access with the EEC this has proved difficult because of lack of agreement on the Common Market's internal policy. Until the common fisheries policy is signed and sealed, a prospect that could still be some way off, EEC fishermen will have to be satisfied with little more than token access to Norwegian waters.

To make matters worse the results of over-fishing have been coming home to roost with a vengeance over the past few years. Declining catches of cod, haddock and other varieties have caused serious problems for fishermen from all EEC countries. And herring fishing has had to be virtually halted to avoid the extinction of the major European stocks.

Settlement of the common fisheries policy would not solve all these problems but it would at least allow serious negotiations on reciprocal deals with non-member countries to get under way, and this could alleviate the problems faced by some, though not all, EEC fishermen.

The main stumbling block in the EEC's internal negotiations has been Britain's intransigence. The UK is the major contributor to the EEC's common "fish pond"—over 60 per cent of Common Market fish stocks swim in "British" waters—and British fishermen are determined that they should get the lion's share (at least 45 per cent) in terms of catch quotas. In addition they originally wanted exclusive access to waters in a 50-mile coastal band around Britain.

Agriculture and Fisheries Minister John Silkin agrees with this position in principle, though he has scaled down the 50-mile exclusive zone claim to 12 miles exclusive and a "dominant preference" up to 50 miles, and he has never been specific about his minimum quota requirements.

Until recently these demands have met with total rejection in the Council of Ministers. Britain's proposed quota share, the BFF claims, is really only 25 per cent if an unwanted horse-mackerel quota of 100,000 tonnes a year is disregarded; and any mention of exclusive zones has always prompted high-sounding quotations from the Treaty of Rome wherein is enshrined the principle of free access for member states. Mr. Silkin's observation that this free access is intended to refer to marketing opportunities and not territorial entitlements has fallen on deaf ears.

### Contention

Another bone of contention between Britain and the rest has been on the need for conservation. In the absence of Community agreement the British Government has felt it necessary earlier this year to take the law into its own hands on this question — banning herring fishing in certain areas and industrial (fishmeal) fishing in a North Sea area known as the "Norway pout box," as well as limiting fishing for some other species.

This further angered the other fisheries ministers, and the Common Market Commission decided to take Britain to the European Court of Justice over certain aspects of its unilateral fish conservation policy.

At this point the situation looked far from hopeful. Relations between Mr. Silkin and his Continental counterparts, not to mention the Commission, had deteriorated to a point where meaningful negotiations on fisheries seemed impossible.

But then came last month's Bonn summit. U.K. Prime Minister James Callaghan and West German Chancellor Herr Schmidt agreed at this meeting that the time had come for a political initiative aimed at breaking the deadlock and instructed their respective agriculture ministers to seek a common policy agreement by the end of this year.

Since then Mr. Silkin appears to have softened his position somewhat by shelving a planned ban on small-mesh fishing for scampi in UK waters and agreeing to the setting up of a working party to study the historic rights of Continental fishermen within Britain's proposed 12-mile band. The BFF has been disturbed to find that these "conciliatory gestures" have not been reciprocated in any tangible form, but Mr. Silkin has claimed, however, that definite signs of increased willingness to negotiate could be discerned on the other side.

He said a working document issued by the Commission implicitly referred to several British claims which had hitherto been met with a stonewall response. Among these was a demand that Britain should be given "the sea lion's share" of any increase in fishing opportunities resulting from conservation measures in recognition of its major contribution to the Community "pond."

The consideration of historic rights around Britain's coast also implied a retreat from the other members' old "up to the beaches" fishing policy, he said.

After two years of almost continuous negotiation these developments appeared to represent some light at the end of the tunnel. But this light was quickly extinguished late last month when the Council of Agricultural Ministers rejected modified UK demands and Mr. Ertl, the West German Minister, accused Mr. Silkin of not wanting the Common Market system to work in its current form.

EEC heads of state will be discussing the fisheries question at their summit meeting this week but so far their agriculture ministers have given them little to work on.

# CAP still under attack

## AGRICULTURE
Margaret van Hattem

EUROPE PRODUCES three basic varieties of farmer: those with a soft protective covering otherwise known as the EEC Common Agricultural Policy; those about to grow one as soon as the Community is enlarged from nine to 12 member countries; and those out in the cold who have to contend with free market forces. The ones in the third category are the hardiest. They have to be. Denied free access to the world's biggest market for food, they are under great pressure to produce efficiently, and with an eye to the demand for their output. Those inside the Community are much weaker. Without guaranteed high prices for most of their output, many would go out of business. The Community protects them further by allowing them to produce as much as they like—sugar is the only product on which there are quota restrictions—whether or not there is a market for their output.

### Enlargement

Enlargement of the EEC will undoubtedly be a good thing for the farmers in the northern part of the Community. When Greece, Spain and Portugal are members, there will be at least 20 per cent more EEC consumers to eat their way through the growing mountains of overpriced sugar, butter and other dairy products that the northerners are happily producing. The applicant countries already import some of their requirements of these products from the Community and are not expected, on accession, to increase their intake sufficiently to bring EEC markets back into balance. But the increase will probably be big enough to ease pressure for cuts in price support for surplus products.

Enlargement may not be quite such a good thing for Mediterranean farmers either, in the existing Community or in the applicant countries. It will increase the size of the agricultural population by around 55 per cent, the value of output by 24 per cent. The gap between these two figures indicates the extent to which northern farming is more efficient and more profitable than that of the Mediterranean. This disparity is likely to persist for many years. The CAP, as currently operated, gives far more support to northern than southern products.

But if northern taxpayers do not, on the whole, press aggressively for elimination of the huge butter and milk powder surpluses, they are determined not to let similar stocks of wine, olive oil and citrus fruit accumulate in the south. There is already surplus or near surplus in many Mediterranean products and a large capacity for increased production in the applicant countries, particularly Spain. Inside the Community, they will be competing with southern Italian and French farmers who are already pressing for—and getting—financial help to increase their competitive edge over the new members. Elsewhere, they can expect a falling world price as the other non-EEC Mediterranean countries — in the Maghreb, the Mashreq and Israel—lose their present advantage over the applicant countries, and are forced to sell more outside the Community. But they will not be able to follow the northern example and boost their incomes by increasing their output: the French and the Italians will ensure that the treaties of accession include provisions curbing growth in production of any product directly in competition with their own.

With all these constraints, the scope for improvements in southern farmers' incomes is very limited. Increased profitability will have to come from higher efficiency, which implies not only structural and marketing reforms but also a significant reduction in the agricultural population. And this, as the EEC Commission realises, cannot happen until other sectors of the Greek, Spanish and Portuguese economies are growing fast enough to absorb them. Given the present depressed state of industry elsewhere in the Community, this could take a very long time indeed.

The regional imbalances within the present Community will be magnified by the accession of Greece, Portugal and Spain, the Commission concluded in its recent analysis of the effects of enlargement. Whether the applicant countries will accept this fact quite so calmly remains to be seen. Opponents of the CAP's high levels of price support—that is to say, the British—are hoping to find allies in the new members. They suggest that the dent in Mediterranean trade balances resulting from increased imports of expensive northern products will lead to resentment and a build up of pressure for reform of the CAP. But Britain has been crying in the wilderness over this point virtually since it joined the Community in 1973, with little to show for its efforts. And the three new members are unlikely to have sufficient political weight in the Community to force such a major change for many years to come.

The resistance to reform—that is, reduced price support and lower prices—springs from two basic things: EEC farmers' lobbies are strong, well organised and able to maximise their political impact; second, food prices are not an issue in continental Europe. As incomes rise, the proportion spent on food falls, so continental consumers are not nearly so aware as British ones of the impact of food price rises on the consumer price index. Whereas the CAP is fixed in British minds as the root cause of food mountains and high butter prices, most of the others see these as irritating, but only secondary, problems.

But the British case is not altogether hopeless. Although most EEC governments still give security of farm incomes higher priority than food prices, some, notably the Germans, are becoming increasingly critical of the high proportion of the EEC budget spent on agriculture. Few would take seriously the arguments advanced by the Belgian and German agriculture ministers that the EEC food mountains are a sensible precaution against future shortages.

And all are aware of the damage to relations with countries such as the U.S., Australia and New Zealand stemming directly from the Community's increasing agricultural protectionism and its tendency to dump its surpluses on third country markets. The U.S. demand for greater access to EEC markets for several of its agricultural products remains one of the major obstacles to agreement in the present round of talks under the General Agreement on Tariffs and Trade (GATT), in Geneva. And although the Commission is currently able to ignore any Australian threats to withhold supplies of uranium and other raw materials or to buy its arms elsewhere unless the Community stops dumping dairy products on third country markets and increases access for Australian beef, it is sufficiently aware of Australia's potential as a minerals supplier to know how far it can go.

Pressures from other big trading nations may finally force the Community to accept the message that the British have so far failed to get across—that the EEC is not an island and the world market for agricultural products does not have an infinite absorptive capacity. The Community's assumption of an unlimited right to produce is seen elsewhere as simply the reverse face of the old colonialist mentality from which Europe has tried so hard to dissociate itself. Merely putting the Community house in order by bringing the internal markets back into balance will not be enough. If the Europeans inside the EEC want to continue their present strict regulation of the world's biggest market for food, they will sooner or later have to accept that the rights to produce for and sell on it are negotiable.



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# Resistance to modernisation

**INDUSTRY**

Geoffrey Owen

MODERNISATION, redeployment, international competitiveness—these are the objectives which European Governments are pursuing through their industrial policies. The aim is to shift resources out of declining industries into sectors which are either already competitive in world markets or can be encouraged and assisted to become competitive. Yet the social, political and commercial obstacles in the way of such adjustments are formidable.

In the first place, unemployment is high and there is often strong resistance from employees and trade unions to labour shedding; this applies particularly to countries like France and the UK where the consensus in favour of market forces and rapid industrial change is weaker than in West Germany.

Second, the ability of European manufacturers to hold, let alone increase, their share of world markets is threatened on two fronts. The newly industrialising countries of the Third World are steadily extending their range of manufactured exports, while at the high technology end of the spectrum Japanese and American companies are in a strong position. An additional problem, especially acute in chemicals, is the flow of imports from the Eastern bloc, often coming from plants erected with West European technology and financial support.

Europe's principal manufacturing industries can be divided very roughly into three categories:

Category A—sectors which are being forced to contract in size because of the disappearance of traditional markets;

Category B—sectors which are in large measure competitive and capable of growth, but whose performance is held back by structural or other weakness;

Category C—fast-growing sectors, often in areas of high technology, in which European companies are at a disadvantage compared with their American and Japanese competitors.

*Category A*

The most extreme example is shipbuilding, where European yards have been hard hit both by the worst recession in the industry's history, and by competition from newcomers such as South Korea. Governments have accepted in principle that a contraction of capacity is unavoidable, but they have sought to delay the process by subsidies and protection: grants from public funds have been made available to keep ailing yards in business and enable them to quote low prices.

At the same time governments have encouraged shipbuilders to diversify into new fields which can absorb some of the displaced labour. This has been easier in Japan, where the shipyards are usually members of large industrial groups—workers from Mitsubishi yards, for example, have been transferred to Mitsubishi's fast-growing motor vehicle company—than in Europe, where most of the shipbuilders are either specialist companies or, as in the UK, grouped in a nationalised corporation. Moreover, some of the fields in which they might expect to diversify, such as heavy engineering, are themselves suffering from surplus capacity.

The issue for 1979 is whether the traditional shipbuilding nations are prepared to face up to yard closures or engage in a self-defeating attempt to protect their yards from economic realities. Within the EEC there have been proposals for a co-ordinated approach to capacity reduction, but there is not much evidence that governments are willing to surrender their freedom of action in dealing with one of their most awkward social problems.

In steel some of the same weaknesses are apparent—over capacity, lack of demand and growing competition from Third World producers. In addition, the productivity of European steelmakers is well below that of their counterparts in Japan and the U.S. According to one estimate, output per man within the EEC was 149 tonnes in 1977, compared with 249 tonnes in the U.S. and 325 tonnes in Japan. The industry has the dual task of bringing capacity into line with its likely share of world markets and of ensuring that the capacity which survives is efficient.

As in shipbuilding it is easier to agree on protective measures designed to make adjustment less painful than to ensure that adjustment takes place. The European Commission has negotiated restraint arrangements with third-country suppliers and has tried to stabilise the internal market with controls on prices and production. While there have been complaints from some companies about the alleged flouting of the Commission's price and production guidelines, prices in Europe are certainly higher than they would have been if the so-called Davignon plan had never been introduced. But the most contentious part of the plan is still to come—the restructuring of the industry.

## Structure

In practice the Commission in Brussels is unlikely to exert much direct influence on rationalisation. But national governments have recognised that if their steel industries are not to become an unending drain on the taxpayer, surgery is essential.

The French Government has unveiled a comprehensive programme which involves a new management and a new financial structure for the principal companies; the state and state-owned institutions will play a central role in the reorganisation of the industry, but the hope is that amalgamations, plant closures and new investment will eventually produce a viable industry which can be returned to the private sector.

In the UK the question of returning the British Steel Corporation to private enterprise is at present academic. The urgent task is to reduce the losses, which in 1977-78 amounted to £443m and which are forecast at around £300m-£350m for 1978-79. The British Government, in an important change of policy, has encouraged the BSC management to negotiate plant closures and other savings with the trade unions; some progress is being made.

In both countries capital investment has been cut back, but it is questionable whether the broad thrust of the UK's investment programme, conceived several years ago when the outlook for demand looked much brighter, is appropriate to the changed conditions. Surgery may have to affect even some of the relatively new works as well as the obsolete plants.

The textile industry in Europe has been contracting for many years in the face of imports from the less developed countries, but the Multi Fibre Arrangement, recently renegotiated in a tougher form, is intended to provide a breathing space in which the industry can reorganise itself and make itself more efficient. The objective is to transfer more resources into products of greater sophistication which are less vulnerable to low-cost competition; the Japanese textile makers, who have been hard hit by imports from other Asian countries, have shown what can be done in this respect. As in steel, governments are now less inclined to prop up ailing textile companies—an important development in France was the absorption of Boussac by Agache Willot—and the industry is unlikely to obtain any greater degree of protection than it now enjoys.

*Category B*

The chemical industry is one of Europe's strongest and there is no question of its ability to hold its own in world markets. Its problem is to come to terms with a period of much slower growth than it enjoyed before 1973. Expectations that pre-1973 growth rates would eventually be resumed led to excessive investment in new capacity, some of it supported by Government subsidies. In several of the high-volume products, such as plastics, there is too much capacity and prices have been driven down to unremunerative levels.

In recent months there have been attempts by several companies to lead prices higher and some of the increases are sticking. The hope is that after the losses of the last couple of years the industry as a whole will see the need for greater price discipline. Yet as long as the overhang of surplus capacity persists the economics of the industry will remain precarious.

In synthetic fibres there has been a move to organise a co-ordinated approach to capacity reduction; some companies hoped that if this scheme was approved by the European Commission, the same principle could be applied to other parts of the industry. But so far it has proved impossible to reconcile the idea with the EEC rules on competition.

The need for closing down unwanted capacity is more widely accepted, even in Italy; the attempts to put Montedison on a sound financial footing are being watched with the closest attention by the rest of the industry. Meanwhile there is a steady trend, most marked among the three big West German companies, towards greater investment in speciality rather than in commodity products; it is this more sophisticated end of the industry that provides Europe with the best prospects for profit growth.

The motor industry has been enjoying reasonably strong demand in most of Europe, especially in the UK, but there is concern about the industry's long-term competitiveness. The Japanese, unable to expand their sales in the U.S. because of the appreciation of the yen and competition from the new locally built small cars, will be eager to step up their attack on Western Europe, the only other large-volume market available. The Americans are moving in the direction of a "world car," producing the same model both in Europe and in the U.S. and thus achieving economies of scale which the Europeans cannot hope to match.

One response is for Western Europe to defend itself as a bloc, putting up barriers against Japanese and American competition and preserving the bulk of the market for local producers. If this is impractical, as it presumably is, an alternative is for the industry to organise itself into fewer, stronger groups. This is the logic behind Peugeot's purchase of Chrysler's European operations.

Whether or not this merger succeeds—and some sceptics feel that the French company may have underestimated the management and personnel problems involved—it has encouraged other companies to consider how they might strengthen their position by alliances. Fiat has been a strong protagonist of this approach, through the formation of Iveco with Magirus Deutz and in several other collaborative arrangements. BL, formerly British Leyland, has made no secret of its desire to follow the same path; 1979 will almost certainly bring some move in this direction.

At the same time several European companies are seeking new links in the U.S. Renault has been discussing with American Motors arrangements whereby it would have access to the U.S. company's sales network and assemble one of its models in the U.S. MAN, the German commercial vehicle producer, has bought an interest in White Motor, while Daimler-Benz, Iveco, Volvo and others are seeking to expand their share of the U.S. truck market. Notably lacking, so far, have been any moves by European companies to forge alliances with the Japanese. General Motors, Ford and Chrysler all have links with Japanese companies and the lack of such relationships is something which European companies may seek to remedy during 1979.

*Category C*

Electronics is widely regarded as the most important growth industry of the future; because of its impact on so many other industries, it is of special concern to governments. In most branches, particularly semiconductors and computers, the Americans are in the lead, while Japan has embarked on a large government-supported programme designed to challenge U.S. domination.

The Europeans are caught in the middle, uncertain whether to launch a frontal assault on the Americans, to collaborate with them or to look for sectors where the competition is less well established. There is uncertainty, too, over whether the appropriate Government policy is to intervene directly in the structure of the industry or simply to create a favourable climate in which many different sorts of company, large and small, nationally-owned and foreign-controlled, can flourish.

## Strategic

Whereas West Germany has relied on its existing companies, primarily Siemens, to make its own strategic decisions (which have included several takeovers in the U.S.) the National Enterprise Board in the UK has decided to start a new company to make advanced micro-processors. The NEB also intends to participate indirectly in the reorganisation of the office equipment industry.

Whether by coincidence or not, the NEB's activities have been accompanied by new moves on the part of the private sector. General Electric Company has formed a partnership with Fairchild in micro-processors and has recently announced plans to acquire a leading U.S. manufacturer of office equipment, A. B. Dick.

In France a similar debate about the future of electronics has been taking place. The Government has encouraged the leading French company in this field, Thomson-CSF, to form a joint venture with Motorola of the U.S.

In consumer electronics the strength of the Japanese has led to some co-operative ventures, such as that between Toshiba and Rank in TV sets. More significantly, Siemens, while strengthening its position in the U.S., has entered into a potentially important collaboration in computers with Fujitsu. As in the motor industry, links with Japanese electronics companies may prove to be a competitive advantage.

1978 has seen an important move in **aerospace** to unite Europe's fragmented resources—the UK's decision to rejoin the Franco-German Airbus consortium. This is not, of course, a full merger: the partners are free to pursue their own projects independently, as British Aerospace is doing with the 146 feeder liner. But the Airbus consortium represents a direct challenge to the major American aircraft manufacturers, particularly Boeing.

Some observers believe that a confrontation with the Americans in the civil airliner business is foolhardy and that the best hope for the Europeans lies in collaboration with one of the U.S. companies. What is certain is that the performance of the Airbus consortium will have a considerable influence outside the aircraft industry. It is one of the few examples of a joint European approach to the problem of industrial competitiveness. If it works, other industries may be encouraged to follow the same path.

# A new balance of power

**FRANCE**
**Robert Mauthner**
*Paris Correspondent*

THE YEAR now drawing to a close has been a momentous one for France, both in the political and economic fields.

After the uncertainties of the previous 12 months, when fears of a Socialist-Communist election victory embittered the political climate and inhibited the Government's economic and industrial policies, the situation was suddenly clarified by the general election last March.

Though the divisive quarrels between the Communists and Socialists during the months leading up to the election had made it increasingly obvious that the Left was throwing away its chances of coming to power, the magnitude of the Centre-Right coalition's victory took everybody by surprise.

The majority of 90 seats won by the coalition parties exceeded the most optimistic forecasts on the Government side. And the fact that the new grouping of Giscardian centrists, the Union Pour La Democratie Francaise (UDF), for the first time emerged as a real political force almost equal in strength to the Gaullists, fundamentally changed the balance of power within the Government coalition.

President Giscard d'Estaing, who had been hamstrung by the Gaullists since his election in 1974, found himself with a much freer hand than he had before and was rightly hailed as the real victor of the election.

There have been moments when M. Jacques Chirac, the leader of the Gaullist RPR Party, who clearly sees himself as a future president of France, has tried to make things difficult for the Government by asserting his party's independence in a host of areas ranging from economic policy to European community affairs. But he quickly found that his over-aggressive tactics were counter-productive.

M. Chirac's personal popularity, as measured by the public opinion polls, took a plunge, and even a substantial number of his own supporters in the National Assembly felt that the Gaullists should not go too far in their harassment of a Government which they had helped to bring back to power.

M. Chirac was consequently induced to conclude an uneasy political truce with President Giscard, which ensures that the Gaullists will not threaten the life of the Government, while reserving their right to criticise.

Nor, for at least another year, does President Giscard have to worry too much about the left-wing opposition. Heavily outnumbered in the National Assembly by the coalition parties, the Socialists and Communists no longer exist as a combined force and there seems little or no prospect of patching up the old union of the Left, except perhaps in the form of a purely electoral alliance.

While M. Francois Mitterrand, the Socialist leader, still pays lip-service to the union of the Left, some of his lieutenants in the party hierarchy, such as M. Michel Rocard, the openly-talking Rocard, are now talking of severing all links with the Communists and giving the Party a traditional Social Democratic image.

Politically unshackled, President Giscard and his economist Prime Minister, M. Raymond Barre, whom he reappointed after the general election, have thus been given more time and room for manoeuvre than usual to push through their policies.

M. Barre wasted no time in stamping a new liberal image on the Government. Interpreting the election results as a rejection of the collectivist political and economic philosophies of the left, he has taken radical steps to free the country from its long Dirigiste tradition and to restore a competitive industrial climate.

## Controls

After 30 years of rigid price controls which have done little to check inflation, industrial prices have been progressively freed in an attempt to restore the profit margins of private companies and to stimulate industrial investment. The brakes have also been partially taken off public sector prices as a first step towards forcing the nationalised utilities, which have been eating up Government subsidies at an annual rate of FFr 30bn (about £350m), to stand on their own feet.

In return, it has been made clear to industry that it cannot expect the Government to go on baling out "lame ducks" indefinitely. Only those companies which are prepared to rationalise their activities and which can prove that they are capable of becoming financially viable can be assured of Government help.

Indeed, the new industrial policy has already claimed a famous victim. Unable to persuade the authorities that he was capable of restoring his ailing and debt-ridden textile empire to economic health, M. Marcel Boussac has been obliged to divest himself of his interests in favour of a rival company.

Not surprisingly, there have been some big hitches. The virtually bankrupt steel industry, whose medium- and long-term debts of FFr 38bn last year were equal to its annual turnover, was too big and in too much trouble to be given the new Barre treatment.

Given its strategic economic importance and the large number of people it employs it could not, clearly, be allowed to go to the wall. Nor was it practicable or realistic to hive it off. So the Government swallowed its liberal pride and, as part of a fundamental restructuring plan, has taken over effective financial control of the industry, while claiming that this is not tantamount to nationalisation.

M. Barre's new industrial policy has gone hand-in-hand with a continuation of his economic stabilisation plan, the first version of which was introduced in the early autumn of 1976. The main macro-economic priorities of the Government are still the fight against inflation, restoring the trade balance and stabilising the franc on the exchange markets.

Monetary and credit policies have been kept tight and wage rises continue to be restricted to increases in the cost-of-living index. But the results so far have been no more than mixed, though M. Barre himself has always said that it would take about three years for his medicines to bring about a permanent recovery, the Prime Minister must take some responsibility for spinning out the cure.

The trade balance, it is true, has been in the black for eight out of the first 10 months of this year and the seasonally corrected cumulative surplus since the beginning of 1978 stands at FFr 2.75bn, compared with a total deficit for 1977 of FFr 9.7bn.

It is on the inflation front that the Prime Minister's policies have had the most disappointing results. The official price index, after rising by 9.1 per cent in 1977, will almost certainly increase by nearly 10 per cent in the current year.

There are several reasons for this deterioration in France, while prices in many other Western industrialised countries have been dropping. M. Barre plainly changed his priorities earlier this year when he decided to free industrial prices and allow sharp increases in public sector tariffs.

He knew that this policy would have an immediate impact on the monthly price indices, but he has argued all along that the effect would be no more than temporary. Domestic and foreign competition would ensure that price rises would remain reasonable in the longer run.

The latest monthly results seem to have justified this forecast, for prices rose by no more than 0.6 per cent in August and September after their big jump in the early summer. But M. Barre is still light years away from attaining his target of bringing down the rate of inflation to something near the West German level.

While the Government is optimistically predicting a fall in the rate of inflation to about 8 per cent next year, the OECD Secretariat's latest estimates are that it is more likely to be in the region of 9.3 per cent.

Critics have pointed out that M. Barre's stabilisation plan has been much less austere than has sometimes been made out. An expected budget deficit of more than FFr 30bn this year, less than half of which is financed by new Government bond issues, is hardly conducive to bringing down the rate of inflation. Nor has incomes policy been anywhere as severe as in the UK, where living standards have been allowed to fall.

In France, on the other hand, wages and salaries are inflation-indexed, the lowest wages have been allowed to rise in real terms and substantial rises have been granted over the past two years in social security benefits.

Despite all the grumbling by the unions of a fall in living standards, the statistics show that purchasing power has increased slowly and steadily by something like 2.3 per cent in each of the past two years.

## Balance

The Government, it is true, has had to strike a balance between its anti-inflationary policies and the political and social imperative of keeping down unemployment to a reasonable level. But the unpleasant truth is that an unacceptably high rate of inflation has been accompanied by an equally unacceptable rise in unemployment.

The successive job-boosting packages over the past two years have hardly made a dent in the unemployment figures, which every month continue to set a post-war record and which, at the last count, put the number of job-seekers at more than 1.3m.

M. Barre no longer has all that much time left to prove that his economic recovery plans have worked and that the economy is healthy enough to permit at least a mild dose of reflation. Judging by his public statements, he has set himself a vague deadline of the autumn of 1979.

He is probably wise to do so because, by the beginning of 1980, the campaign for the presidential election due in the spring of the following year will start to gain momentum. And it is certain that M. Giscard d'Estaing, if he runs again as is generally expected, will not want to go into the election with an albatross of some 1.5m unemployed hanging round his neck.

The outlook for the economy for 1979, while by no means bad, does not suggest that there will be any spontaneous absorbtion of the workless. Much is expected from the spill-over effect of faster West German expansion, given that West Germany remains France's biggest trading partner and takes more than 17 per cent of total French exports.

Household consumption, which is forecast to rise by 3.8 per cent in 1979, after increasing by 3.6 per cent this year, and a pick-up of private industrial investments, which are expected to expand by more than 5 per cent next year after a rise of no more than 2.8 per cent in 1978, should also help to keep the economy ticking over.

But when all is said and done, GDP is expected to expand by a modest 3.5 per cent in 1979 after a rise of some 3 per cent this year, which is well below the average French growth rate of nearly 6 per cent during the decade preceding the 1973 jump in oil prices and certainly not enough to ensure full employment.

Another inhibiting factor, at least in the short run, will be France's membership of the new European Monetary system, which will impose continued economic discipline on France at a time when domestic political factors may demand more expansionary policies.

As far as M. Barre is concerned, that may not be a bad thing, since he has always considered economics to have a priority over politics. It may well be, however, that M. Giscard d'Estaing will have other ideas as the prospect of a second presidential term approaches.



# Solid Europeans

**NETHERLANDS**
**Charles Batchelor**
*Amsterdam Correspondent*

HOLLAND'S PRESSING economic problems have tended to concentrate interest on domestic affairs over the past year. On the political front the formation of a new government after months of preliminary negotiations has focused attention on the new faces in The Hague and pushed events in Brussels into the background.

The major European development which has been occupying officials in Holland is the proposal for a European Monetary System (EMS). The Dutch accept that they will play a minor role in the discussions of this issue, although their resentment of the domination of Community developments by the largest members continues. With regard to one issue, however, the military and peaceful applications of nuclear energy, Holland is attempting to make its own distinctive voice heard, in Europe and beyond.

Support for the European ideal is widespread and uncontroversial in Holland, with successive governments of varying hues consistently in favour of European integration. The country's open borders make it particularly vulnerable to external events, while its small size means that its interests are best served through supranational groupings. A recent opinion poll conducted for the AVRO broadcasting organisation showed 71 per cent of the population in favour of more co-operation on a European level, while a large majority held this co-operation to be essential.

The prospect of direct elections to the European Parliament next year has not proved the controversial issue it became in the UK, but it has aroused little enthusiasm either. While direct elections are expected to strengthen the power of the Parliament, its limited achievements so far have not inclined the Dutch parties generally to anticipate a great deal from the new body. A recent poll carried out by the EEC revealed that 69 per cent of Dutch voters intended to take part in the elections. Only the Dutch were prepared to put Community interests above those of their own country, the poll showed. The 25 European MPs from Holland will be elected by the same proportional representation system as that by which the Dutch lower house of parliament is chosen.

The proposed European Monetary System has the full support of the Dutch Government. In a recent commentary on the ideas thrown up by the EEC summit in Bremen in July, Finance Minister Frans Andriessen made clear his satisfaction that the discussions now involve all the EEC member states working through the appropriate Community organs. Dutch approval for the EMS is hardly surprising in view of Mr. Andriessen's predecessor's proposal—dubbed the "Duisenberg plan" — to achieve greater monetary co-operation.

## Parallel

The Dutch are realists though, and stress that the currency agreement can only succeed if the partners achieve a reasonably parallel development of their economies and give the stability of currency parities a high priority in their monetary policies. The Dutch are anxious that the EMS does not place an undue burden on the smaller members by laying down stricter intervention requirements from them. They are also wary that the creation of ECUs in return for the deposit of national currencies with a European monetary fund would create extra liquidity and fuel inflation.

The Finance Ministry is in favour of the European monetary agreement remaining open to non-Community countries to become associate members. The central bank on the other hand has its doubts about the practical consequences of the fund's membership not reflecting exactly the membership of the EEC. Would the currency basket include all EEC currencies regardless of whether all countries were fund members?

Nuclear issues have taken up a great deal of parliamentary time in the past 11 months as Holland has wrestled with the moral questions created by its involvement in cross-border projects. It has exasperated its West German and British partners in the Urenco uranium enrichment project with its demands for more watertight guarantees from Brazil against the misuse of the fuel. The Government finally carried the day against the combined weight of the opposition and a large number of its own backbenchers, and the deliveries will go ahead as promised from 1981. This issue is certain to the the subject of further debate in Parliament, however, as the delivery date approaches.

In the defence field a strong body of public and parliamentary opinion is opposed to acquisition of the neutron bomb by NATO forces stationed in Europe. The largely Christian Democrat Government overcame strong opposition from many of its own MPs to the new weapon. The Government view is that it should be used as a bargaining counter in the East-West arms limitations talks, leaving the final decision open if these fail.

Domestically, the new Christian Democratic-Liberal coalition Government has begun to tackle the country's economic problems. It has produced a programme, known as "Blueprint '81," for curbing public spending and increasing industry profits, which it managed to get through Parliament, largely intact, in October.

The new Government has come through its first 11 months in office rather more successfully than many observers thought possible. The failure of the Labour Party (PVDA) to reach agreement on a coalition with the Christian Democrats meant that the largest party, and the one which had been most successful in the May, 1977 elections, was excluded from government. The middle-of-the-road Christian Democrats and their right-wing Liberal Party partners have the slenderest of majorities in parliament, holding 77 of the 150 seats in the lower house.

Prime Minister Mr. Dries van Agt's main difficulty has not been with his conservative partners. He has achieved a considerable amount of accord with them, considering his earlier four-year coalition with the Labour Party. It has been the left wing of the Christian Democrats which has provided the strongest criticism of his Government's policies. This came close to forcing to a defeat of the Government in Parliament in June over the question of uranium deliveries to Brazil.

The Christian Democrats suffered a serious loss last month, when the revelation that the party's parliamentary leader, Mr. Willem Aantjes, had been a member of the SS during the wartime occupation of Holland, forced him to step down. Subsequent investigation revealed that Mr. Aantjes had concealed the full details of his past from the party leadership, so a wider political scandal was avoided. Mr. Aantjes' departure was a blow to the progressive wing of the Christian Democrats, however.

Although there have been some indications in the past month or so of a modest upturn in the Dutch economy, the general picture is gloomy. Holland's external position has weakened dramatically from the optimistic expectations expressed as recently as last year, originally forecasting a balance of payments surplus of Fl 4bn in 1978 the outcome is now expected to be a deficit—the first for seven years. A deficit of Fl 1.7bn occurred in the first half. Holland recorded a deficit of Fl 4 bn on visible trade in the first nine months of the year following a deficit of Fl 2.9bn in the same period of 1977.

High wage costs and the strength of the guilder have made Dutch exports increasingly uncompetitive on world markets. Companies are reluctant to invest and few new jobs are being created. Figures released recently by major companies such as Philips and AKZO reveal the number of jobs they can offer in Holland will decline further while new production capacity is increasingly being sited abroad. Unemployment is now around 210,000 or 5.3 per cent of the workforce, and job security will be one of the major issues in the 1979 wage round. One bright spot is the success in reducing inflation to 4-4½ per cent this year from 6½ per cent in 1977.

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# A brighter picture all round

## WEST GERMANY

Jonathan Carr
Bonn Correspondent

WEST GERMANS have good grounds for hoping that 1979 will prove the most satisfactory year for them since the oil crisis. That does not imply that their economy will achieve its highest ever growth rate, nor that inflation will decline further, nor that labour unrest will be absent. But it does mean that, externally and internally, a number of encouraging elements are coming together to allow a moderately strong economic upswing, with a relatively high measure of price stability, business confidence and social peace.

Had anyone dared to make a similar forecast in the spring he would promptly have been branded a lunatic by most people. Economic growth was almost non-existent and there had been, for West Germany, bitter disputes in the metalworking and printing industries. Further, rumour had it that Chancellor Helmut Schmidt was hatching a scheme with the French intended to bring more currency stability to Europe but which, it was feared, would simply drive up West Germany's money supply and inflation.

Abroad, the U.S. was still pressing West Germany to act as a "locomotive" of the world economy and the outcome of the planned Western economic summit conference in July in Bonn was far from certain. At home, the Social Democrat-Free Democrat coalition Government faced a crucial election in the state of Hesse, whose outcome might have upset the balance of power in Bonn and finally returned the Christian Democrats to the governmental office they lost in 1969.

What happened? Economically, the first quarter of the year turned out to be by far the worst, with real growth in GNP of only 1.7 per cent. Since then things have been picking up, partly helped by the cumulative impact of those programmes of economic stimulation which the Government had been producing regularly, sometimes, it seemed desperately, since the oil crisis.

The outlook for the whole of 1978 is for about 3 per cent real growth with an inflation rate of some 2.5 per cent. The Government had hoped for more growth and had expected more inflation—which is what it seems likely to get next year instead. Latest estimates are for 4 per cent real growth in GNP in 1979, with 3.5 per cent inflation. That will not solve the problem of the unemployed, averaging just under 1m by 1978. Nor will it put weaker sectors of industry, like shipbuilding, back on their feet. But *in general it is not far from* that "upswing in stability" which West Germans have tried *to obtain for* themselves—and which they have so strongly advocated to others.

It goes almost without saying that the figures could easily be upset. If the planned European Monetary System (EMS) is going to mean significantly more market intervention by the Bundesbank, thanks to the inclusion of weaker currencies not at present members of the snake, then that 3.5 per cent inflation estimate could prove too low. What is so far known about the structure of the monetary system suggests that this danger has been recognised and action taken to avert it. But it *would be as absurd to suggest* that there is no risk at all as it would be to deny that great benefits will ensue if the system holds together as the snake has done. For West Germany the immediate advantage is clear enough. More than half of its exports go to other Western European countries inside or outside the Community. A system of greater currency stability which embraces most, if not all, those countries must help West German exporters (particularly smaller and medium-sized enterprises) to plan ahead and encourage investment which a less calculable business future would have delayed or ruled out.

This advantage would, of course, apply to all members of the new system—and some may feel that West Germany itself has little need of a further export boost. After all, the West German export surplus totalled DM 28.5bn in the first nine months of this year, against DM 26.3bn in the same period of last year and DM 38.4bn for 1977 as a whole. However, it is worth noting that while exports climbed by 4 per cent and imports by 3 per cent by value in the first nine months, in volume terms exports increased by 5 per cent and imports by no less than 7 per cent. Export value figures alone say little about the profit margins of the exporting companies. Likewise, import value figures expressed in constantly appreciating Deutsche mark terms do not show the full extent to which foreign products are penetrating the German market. The truth is that the real volume of German imports has consistently been increasing faster than that of exports—and is set fair to continue doing so. That means further opportunities for foreign exporters not overawed by the myth of German business invincibility.

The economic upswing in West Germany should also be supported by the measures of tax relief and some added Government expenditure which Bonn promised at the July economic summit, and which will start to take effect from January.

At the summit meeting, the "locomotive" theory espoused by the United States was finally consigned to the wastepaper basket, and something more to West Germany's taste emerged—namely pledges of complementary economic and financial action by all participants. Further, Herr Schmidt and President Jimmy Carter were able to place their personal relations on a more friendly footing both immediately before and during the summit. That does not mean, of course, that all U.S.-West German bilateral problems have been solved. But it does mean that at the end of 1978 the atmosphere for dealing with those problems is much better than it was at the end of last year.

As for the West German "Ostpolitik," the key event was the visit to Bonn in May by the Soviet President, Mr. Leonid Brezhnev. Some were disappointed at the outcome, which at first appeared less concrete than hoped. But part of the answer to them came in November, when East and West Germany were able to conclude an important transport agreement which will bring a new autobahn link between the two countries. It is safe to say that this inter-German accord would not have emerged now if clear talking and broad agreement on future relations had not emerged at high level between Bonn and Moscow earlier in the year. The next major step must surely be a meeting between Herr Schmidt and the East German leader, Herr Erich Honecker.

In domestic politics, Herr Schmidt remains firmly in the saddle. Even some of those in his own party who were inclined to criticise him on grounds that his pragmatism drove out longer term political vision have altered their view. Had the Christian Democrat (CDU) opposition won the State of Hesse election in October, then the whole political pattern might have changed. But it did not—and the CDU's continuing failure to break the Government coalition is emphasising its own long-standing leadership problems. The next general election is scheduled for 1980. There is no currently foreseeable reason why the coalition would not last at least until then—with Herr Schmidt at its head.

# Victory over inflation

## BELGIUM AND LUXEMBOURG

Giles Merritt

AS EVERY visitor to Belgium soon discovers, there are two Brussels. There is the home of *the EEC Commission*, the city where the Community's Eurobusiness and bargaining is mainly conducted, and there is quite separately the Belgian capital. The two have little overlap, seeming studiously to ignore one another. So much so that when Belgian Cabinet Ministers make the half-mile trip to attend EEC Council meetings they can appear just a little out of place, like an actor on the wrong set.

Yet Belgian's Community credentials are impeccable. It remains one of the most stalwart members of the Nine, and if its present efforts to attract the European Parliament to Brussels are slightly alloyed by commercial interest—for Brussels has thrived on its position as the European centre—that does not detract from the country's commitment to the European ideal. Unlike Britain, for example, Belgium has no fundamental doubt about the EEC, and its politicians accept the Community's parallel authority.

Yet Belgium today is far less preoccupied with the workings of the EEC than in past years. It has two important areas of EEC policy that it is lobbying hard for, further increases in agricultural price support and more disciplined monetary policy, but otherwise its problems have become largely internal.

For a small, rich country that has benefited so much from the existence of the EEC, Belgium is now in a strange and paradoxical position. Despite its undoubted support for the European ethos it is domestically threatened by the language rivalry between its Flemish-speaking population and its francophone Walloons. At the same time, one of the richest and most capitalist nations of the Nine is increasingly vexed by economic problems that are calling into question not only the precepts of free enterprise but also of a public spending programme that has become a serious burden. Comfortable as life in Belgium must often seem to outsiders, the country is now embarked on a fundamental, if somewhat leisurely, re-examination of itself.

Within three weeks, if all goes according to plan, the Belgians will be going to the polls in a general election. A Government crisis sparked by *the mid-October resignation* from the Premiership of M. Leo Tindemans over the issue of his *proposed "regionalisation"* solution to the language problem could lead to a public debate in advance of the December 15 polling day that has been set. So far, however, the caretaker Government formed by M. Tindemans' own Defence Minister, M. Paul Vanden Boeynants, has managed to keep the issues out of the public domain. It is not so much a question of ducking issues that Belgian voters should be encouraged to discuss, say Belgian political observers, but of avoiding a damaging showdown over the language question that might otherwise lead to the country being split into two parallel communities, each a separate state within a federal *Belgium*.

But the likelihood of Belgium ever splitting into two halves, one *Flemish* and the other Walloon, still seems remote, and against the background of the *country's growing economic difficulties* it must be said that the language wrangle appears *tedious and irrelevant*. Despite its evident wealth and sophisticated industrial tradition, Belgium *must contend with a* difficult economic future.

There are three main problem *areas*: unemployment, public spending and the future of the Belgian franc. At 6.7 per cent, *Belgian joblessness is now* second only to that of the Irish Republic in the EEC league table. *The chances of reducing* that level appreciably are not high in the foreseeable future, *for such traditional* Belgian industries as steel and textiles are destined to contract sharply.

The size of the Belgian budget deficit is now causing growing concern. Although Government promises early this year stated that it would be pegged to BFr 65bn, it is likely to reach BFr 100bn for 1978 and the public sector borrowing requirement is now equivalent to 7.5 per cent of GNP. Financing the debt is likely to become more difficult, not because the Belgian state would ever be considered *a poor risk but because there* is mounting controversy over financing policy. Recourse to *the domestic capital market* has inflated interest rates and helped starve the private sector *of funds*. Recently the Government reversed a 10-year pattern of avoiding foreign indebtedness and negotiated a BFr 8bn loan from the Bank for International Settlements.

*It is the problem of the* Belgian franc, however, that most neatly sums up the country's difficulties. To maintain the Belgian currency's parity with the Detusch Mark inside the joint float of the European snake, Belgium has committed itself to drastic deflationary policies and in the past year has spent an estimated BFr 100bn on defending the franc against speculation.

Belgium is tied to West Germany and Holland, which *together account for almost 40 per* cent of the BFr 1,344bn that Belgium earned in exports last year. *External* trade is vital, accounting for almost half of the country's GNP, and Belgium has had little option but to sacrifice growth and employment in order to bring inflation down to West German and Dutch levels if it wished to safeguard its most valuable export markets. Whatever the shape of the proposed European Monetary System, Belgium will have to maintain that close relationship.

So far, the effect has been a remarkable victory over inflation. The Belgian rate of inflation has been more than halved in three years and now stands at an annual rate of 3.7 per cent, as against the 5.4 per cent level that the consumer price index was projecting at the start of 1978. The price has been sustained high unemployment and a stubbornly slow growth rate. *Industrial output has still to* regain the levels of mid-1974, and official projections of a 2.5 *per cent rise in GNP for this* year are generally thought to be optimistic, with 2 per cent more likely.

If Belgium ranks as one of the EEC's uncritical member *states, then the tiny Grand* Duchy of Luxembourg is one of its most enthusiastic. Even *though Luxembourg tends to* worry at the declining birth rate and its high proportion of *foreign residents threaten its* national identity, the Grand Duchy remains one of the staunchest advocates of European integration. The forthright criticism of the UK's "equivocal" attitude to the Community membership that M. Gaston Thorn, Luxembourg's Prime Minister, expressed in London not long ago is certainly based on a track record of solid com*mitment to the European ideal*. M. Thorn's somewhat scathing attack on the possibility of *Britain seeking a "half-way" house"* relationship with the proposed European Monetary *System (EMS) comes, after all,* from the leader of a country that has championed monetary *union along those lines for* almost 10 years.

Luxembourg is rarely troubled by national interests that bring it into conflict with its EEC partners. Banking and steel are the two main pillars of the economy, and while the latter activity is still in crisis, *with the Grand Duchy's Arbed* steel giant having recently announced that in the 18 months *to mid-1978 losses that totalled* LFr 8.1bn, the accent continues to be on co-operation. The only *source of friction continues to* be the uncertain future base of the European Parliament. At *present split uneasily between* sittings in Luxembourg and Strasbourg, there have been *moves for next year's new* directly elected Parliament to be established in a single and per*manent seat, with Brussels mak*ing a strong bid. The possibility of losing the 1,500-strong *secretariat that is based in* Luxembourg prompted M. Thorn into an uncharacteristic threat *early this year when he sug*gested that Luxembourg might block the 1979 direct elections.

# Coalition brings more stability

**ITALY**
**Paul Betts**

HANS CHRISTIAN Andersen referred in one of his fairy tales to a decrepit house which had to be demolished but which remained standing because no one could decide whether to pull it down on the left or on the right.

This, put crudely, is the dilemma now facing Italy, governed by a political coalition that has survived for more than two years but which has always been distasteful to the main political parties and—according to recent local election results—apparently to the electorate at large.

The coalition formula, however, has given Italy during the last two years a relative degree of political stability at the same time as helping one of Europe's sick economies to get better.

It was the fruit of the inconclusive general elections of 1976 which left the country's main political parties, the long-ruling Christian Democrats, and the Communists, in a stalemate position.

In the face of the then dire economic crisis, which earlier that year had forced the Italian authorities to close the foreign exchange markets for six weeks to protect the tumbling lira, there was little alternative except an emergency pact between the main political parties to put the country back on its feet.

At first, the opposition parties, including the Communists and Socialists, decided to support indirectly (through a policy of abstention in Parliament) a minority Christian Democrat Government led by Sig. Guilio Andreotti.

Subsequently, growing pressure from the left-wing parties for a greater voice in Government precipitated a Government crisis earlier this year. But the main parties seemed intent at all cost to avoid an early general election and a compromise was reached.

The concept of the emergency coalition pact was reinforced by a new parliamentary majority which saw, for the first time in some 30 years, the Communist Party directly supporting a new minority Christian Democrat administration, but still led by Sig. Andreotti.

In the process, and despite an unprecedented wave of political violence culminating last spring with the kidnap and murder of Sig. Aldo Moro, the late Christian Democrat president and five times Prime Minister, the political forces decided to launch a major economic and social recovery plan.

Political violence and other social tensions, particularly in the depressed south of the country, did not, or at least have not so far succeeded in destabilising the country's delicate political balance.

Indeed, there has been a recovery of international confidence and the so-called "Italian risk" has virtually disappeared.

The balance of payments has made a spectacular recovery. From a sizeable deficit two years ago, it is now expected to show a substantial surplus of some $5bn this year. Inflation was reduced from levels of more than 22 per cent to a present annual rate of between 12 per cent and 13 per cent.

Under the surface, however, discontent has continued to grow. The improvements of the Italian economy, while helped along by the decline of the dollar, have been achieved at a price.

A tight corset of fiscal, monetary and administrative measures had to be imposed to stabilise the lira, putting the squeeze on domestic consumption and growth, which has averaged barely 2 per cent during the past two years.

In turn, unemployment increased. The official figures (which say that 1.6m people are unemployed), only tell part of the story. More than 70 per cent of the total is made up of young people.

The widespread phenomenon of double work and so-called "*black labour*," together with the substantial excess of workers now employed in the State sector industries and the large numbers on State subsidies salaries disguise the enormity of the problem.

The situation is exacerbated by the continuing financial crisis of leading groups in key sectors like the chemical and steel industries.

## Chaos

It has repercussions in the country's school and university system which is in a state of permanent chaos. It has made the suburbs of the major cities, with their heavy concentration of immigrants from the south, and the universities into fertile breeding grounds for crime and political violence.

In the south, where despite the efforts of industrialisation many archaic structures persist, unemployment is causing increasing social strains, particularly in a city like Naples which has now virtually reached breaking-point.

In its medium-term (1979-81) Recovery Programme presented in Parliament this autumn, the Government intends to create some 600,000 new jobs during the next three years.

But the plan to give the country sustained and stable growth in coming years hinges on the Government's ability to tackle the fundamental structural problems of the economy, including *a reduction in the continuing* increase of the public sector borrowing requirement on one hand, and of labour costs on the other.

The political parties supporting it agree in principle at least to the Government's ambitious objectives. But despite this general political consensus, they find it equally hard to agree on specific reforms like, for example, a reform of Italy's chaotic pensions system.

For their part, the trade unions have so far greeted with mixed feelings the Government's insistence for wage restraints to prevent any real increases in wages during the next three years.

This attempt to introduce an incomes policy is an integral part of the Government's recovery programme.

But while some union leaders, including Sig. Luciano Lama, the secretary general of Italy's largest and Communist-dominated labour confederation, have accepted the need to moderate wages in the imminent round of labour negotiotions involving as many as 10m workers in order to maintain the competitiveness of Italian exports and release investment funds for the depressed south, the union rank and file is giving little evidence of sharing its leaders' views.

At the same time, the large union confederations are also coming under increasing pressure *from the so-called "autonomous"* or non-aligned unions, which place the emphasis on salary increases and have recently caused considerable havoc in a number of key public services like hospitals and transport.

Although all the main political parties claim that they do not favour opening yet another Italian Government crisis at this stage, since it would not solve the country's current problems, they are nonetheless showing signs of nervousness.

This, in many ways, is the consequence of the present political coalition which, from the beginning, has generated tensions not only between the various parties but also within the individual political parties themselves.

The Communists find the formula uncomfortable for a combination of reasons, not least its apparently damaging effect on their electoral position which, in recent local polls, has declined for the Christian Democrats. It has caused growing rifts inside the Party between those factions opposed to the current dialogue with the Communists and those who adopt a more open approach.

As for the Socialists, they appear to be using the complexities and ambiguities of the present political situation to attempt to regain the ground they lost in the June, 1976, general election.

These various tensions are *simply reflected in the* recent accumulation of political controversies, which also involve internal rows within the trade union movement as a whole, now threatening to undermine the governing coalition.

An example is the difficulty Sig. Andreotti, the Prime Minister, has faced over a minor Government reshuffle, following the need to appoint a new Industry Minister to replace Sig. Carlo Donat Cattin, the retiring Industry Minister, now appointed deputy secretary general of the ruling party

To maintain the present balance of Christian Democrat factions within the Cabinet, Sig. Donat Cattin claimed the right to elect his successor, although the Prime Minister had already suggested a candidate. The effect of all this was to open major differences within the Christian Democrats at the same time as amplifying the irritations of the other parties.

With the daily reminders of the gravity of the country's problems highlighted by the high rate of terrorist incidents and the continuing wave of ordinary crime, the electorate appears to be losing confidence in the ability of the governing parties to govern.

This mood of despondency has come out clearly on a number of occasions this year when the electorate has been called to express a judgment on key social and political issues, such as the referenda on public order and on the public financing of political parties, or in local polls.

The results of the regional elections in the northern region of Trentino Alto Adige at the end of last month (however much tinted by local issues) is the latest indication of this trend.

All the main parties, including the Christian Democrats, the Communists and the Socialists, lost ground to new smaller political groupings and to local autonomous parties.

Even the leaders of the large national parties interpreted with some measure of anxiety the results as something of a vote of protest against them.

In the face of all this, the country's current political equilibrium still appears to stand, although it is looking increasingly fragile each day.

None of the parties like the present political formula, but none want to be blamed for precipitating a Government crisis.

In any event, even if such a crisis effectively occurs in the not too distant future as many are now predicting, it is difficult to see whether the house will fall to the left or to the right—or indeed be substituted by a similar if superficially different one.



# Familiar patterns repeated

**THE U.K.**
**Malcolm Rutherford**

IT HAS been an interesting but not a happy year for Britain, and all the indications are that 1979 will be much the same. For one of the side effects of incomes policy is that everything begins to happen as if it were to a formal pattern. In the early summer the Government sets its guidelines—this year for wage settlements of 5 per cent with some small scope for flexibility. In the summer proper there is a lull. In the autumn there is talk of strikes and of the bleakest of winters ahead. By the spring, however, some of the worst predictions have not been fulfilled—last year, for example, the Government set a guideline of 10 per cent, saw earnings rise by 16 per cent, and reckoned it a modest success.

Thus, as the summer approaches, the Government is ready to try again with a new target and a new effort at securing trade union agreement. Soon, it seems, we shall be measuring the years no longer by seasons but by phases of the incomes policy.

The pattern extends over a longer period too. For more than two decades Britain has been in and out of some form of incomes restraint. What has never been managed successfully is the so-called re-entry—the return to *free* collective bargaining. It is perhaps awareness of that that makes the present Government so reluctant to give up its attempts to achieve a formal policy. It has no reason to believe on the basis of past experience that a return to the market place will lead to anything other than renewed inflation.

The problem has not been solved in the opposition Conservative Party either. In theory, the party is committed to ending incomes policy in its formal sense. Discipline would be imposed by control of the money supply and by setting *cash limits in the public sector*. There would be something like a German-style concerted action in which the government of the day could put across its views on the economy and discuss the outlook for the future with both sides of industry (not yet called, as in Germany, the "social partners").

But, in practice, the Party is divided. Mr. Edward Heath, the former Conservative Prime Minister, has come out in more or less complete support of the present Government's policy, 5 per cent guidelines and all. Others in the Party lean towards Mr. Heath without going quite as far. The views of the Confederation of British Industry, the principal employers' organisation, are ambivalent. It is broadly in favour of the 5 per cent guideline, but is inclined to think that this can be achieved without too much Government interference. There is, in fact, no evidence that this can be done.

The test case so far this year has been the Ford Motor Company, partly because its wage claim comes up very early in the annual round and partly because it is a very large and—at the moment—profitable employer. The company offered 5 per cent in accordance with the official guideline. There was an immediate walk-out, even though the existing contract still had a month to run, and work at all Ford plants in the country was at a standstill for nearly eight weeks. The company sought a way out, as is allowed by the pay policy, by *offering a further increase in* return for a productivity agreement. The terms of that offer were rejected virtually in toto, and in the end the company settled for 17 per cent with only a minimal productivity element in the deal.

Yet, in a curious way, this is where the attempt to look on the bright side begins to set in. The argument goes roughly as follows: the Ford settlement may have been high, but it has not yet become a norm. Everybody knows that Ford is a profitable concern. In that sense it is quite different from (say) British Leyland, where profits are minute. It is therefore evidence of some restraint that Leyland workers are prepared to settle for less.

Indeed it is quite true that there have been a few cases recently where workers have refused to support what they regarded as exorbitant demands by their shop stewards. The workers at some of the Vauxhall plants, for example, declined to go on strike when asked, and that is seen as an encouraging development. All that is a far cry, however, from fundamental change. The Vauxhall settlement was still 8½ per cent, and that from a company barely making money.

Perhaps the one real sign of change under the surface is the growing feeling that somehow or other the country will again have to face up to the question of the structure of its industrial relations. In other words, the fact that there was a 17 per cent settlement at Ford may have been less significant than the fact that the unions marched their men off the job even before the pay negotiations had properly begun, and when the old pay agreement was still in force. It may be that that is the real source of the anarchy.

## Reforms

Both the Government and the Conservative Party seem to be moving tentatively towards that conclusion. The trouble is, however, that industrial relations reform has been tried before with unhappy results. The Labour Government of 1966-70 moved towards it, but then backed off at the last minute because of union opposition and, not least, opposition from within its own ranks. The Conservative Government of 1970-74 actually introduced a reform act, but at the price of embittering relations still further. It was repealed by its Labour successor. The instinct is thus to go cautiously. Nevertheless, if one had to pinpoint one single significant new development in Britain in 1978, it would be the growing awareness that the question of the reorganisation of industrial relations will have to be faced.

The economy meanwhile has been buttressed by North Sea oil, though not perhaps in a way that many would have expected or wished. Britain has recently been achieving one of its highest ever rates of growth, but there has been very little cause for self-congratulation. The boom has been almost entirely consumer-led, the result of earnings in the last phase of incomes policy running so far ahead of inflation—now down to 7-8 per cent.

As in almost every previous British upswing, the consequence has been a sharp increase in imports. The only reason why that is not yet *reflected in a balance-of-payments* deficit is that the country is now half-way towards self-sufficiency in oil supplies. It cannot therefore be said that the oil is being used to bring about the "regeneration of British industry" to use a phrase much employed by the present Government.

Nearly all recent forecasts, moreover, are that Government economic policy will shortly become more restrictive. The minimum lending rate rose 2½ points to 12½ per cent on November 9, and is expected to rise still further. There is also talk of restrictive fiscal measures in the not-too-distant future. The growth rate next year is expected to fall.

SMG8

It is perhaps strange in the face of all this that the Government remains reasonably popular. Against nearly all expectations, Mr. James Callaghan, the Prime Minister, chose not to hold a general election in October on the grounds that he could not be certain of winning. He will now have to go to the country by October next year at the latest.

Superficially, there are so many predictions of failure in the wind that it might be assumed that opinion must turn against him. Rhodesia might blow up at any time leading to a wave of sympathy for Rhodesian whites among large sections of the British population. That would almost inevitably hurt the Government. It is also less than clear that the Government's handling of the proposed European Monetary System has been very confident. Mr. Callaghan has been inhibited by his own left wing, which has become steadily *more anti-European*, although in that it perhaps reflects the feeling of the country as a whole. Not least, it is possible that the predictions of a winter of strikes and discontent will this time come true.

Yet there remains something in the Prime Minister's approach which seems to fit the present mood of Britain. The mood is cautious. There is a reluctance to take big risks. Mrs. Thatcher, the Conservative leader, by contrast, seems to offer the promise, or perhaps the risk, of stirring things up. Even the City, which will vote Conservative almost to a man, is alarmed at such a prospect. What it would like would be for Mr. Callaghan himself to become a Conservative. That is, of course, impossible, but it reflects the idea — prevalent about Helmut Schmidt in West Germany—that James Callaghan is the best Conservative Prime Minister we have.

There is one point that should never be forgotten. To the outsider, it might seem that, either for better or for worse, Britain has not changed very much over the past few years. Talk to the man in the street, however, and you will discover a different view. It is that the country has changed too much and too fast, whether the reason given be decimalisation, immigration, or membership of the European Community, or all three. Those who offer radical reform therefore have a less than receptive audience.



# A major preoccupation

**IRELAND**
**Stewart Dalby**
*Dublin Correspondent*

IT WAS inevitable at some stage in the long and complex arguments about Ireland joining the European Monetary System (EMS)—something which appears to be the Government's major preoccupation at the moment—that Mr. Jack Lynch, the Irish Prime Minister, would make the issue of Ulster prominent among a litany of reasons why the Republic could possibly not participate.

If the UK refused to join and Ireland pressed ahead with its application for membership, this would drive a further wedge between the two countries over Northern Ireland, and make reunification of the island—the avowed, irrevocable aim of Mr. Lynch's ruling Fianna Fail Government—more difficult.

Republicanism is as indelibly ingrained in the Fianna Fail Party as the words in seaside rock. There are those who would even argue that its adherence to the idea of reunification and the creation of a 32-country state, if only on a federal basis, was a major reason for the Fianna Fail's return to power in a landslide victory in the general election of June, 1977.

Ostensibly, it was the electoral bribes in terms of tax cuts, as well as a promise of good economic times, which now appear to be materialising, which swept the Fianna Fail back to power.

It is incumbent upon any Fianna Fail leader even one like Mr. Lynch who enjoys an overall majority of 19 in the 148-seat Dail (Parliament) to play the republican card. The policy of the defeated Fine Gael-Labour coalition was that direct rule would continue for the foreseeable future and that the six counties of Northern Ireland would remain part of the UK, but that an interim solution would be found in the form of a devolved protestant-catholic government.

Mr. Lynch has therefore duly been making the point in his recent talks with European leaders in general and Mr. Callaghan in particular that while Ireland wants a transfer of resources to join the EMS (it has asked for £650m as an opening bid), it is also concerned about the prospect of different currencies in Ulster and the Republic, as this will increase the sense of separateness.

Having made the Republican gesture, however, the available evidence is that the Irish Government will not let the north by itself be a sufficient reason for its not joining the EMS.

This represents a significant softening of policy. Last February in a major radio interview, Mr. Lynch called on Britain to give a definite declaration of intent to withdraw its troops from the troubled province. Only in this way could the political impasse be unlocked, he said.

His statement led to a period of strained relations with Westminster. But since then neither Mr. Lynch nor any of his senior ministers have made any important remarks on the North. Mr. Lynch has condemned the violent methods of the Provisional IRA, but it is a time honoured tactic among Republican leaders that they can condemn the means of achieving unity if never the end. Mr. Roy Mason, the British Secretary of State for Northern Ireland has visited Dublin for friendly talks, and Mr. Michael O'Kennedy, the Irish Foreign Minister, has been in Belfast for discussions with local politicians.

With the level of violence in the province dropping for most of 1978—the recent spate of IRA bombings notwithstanding—and with Ulster appearing to recover a little economically and psychologically, the Dublin Government appears content to let the issue simmer on the back-burner. It wants to be consulted but is happy to await a British initiative.

There are many Irishmen who welcome this cooling off on the Northern question, feeling that the Government has much greater priorities to concern itself with. Not least of these is the question of the EMS and the much deeper issues it involves in terms of the country's economic management and whether ultimately it wants further integration with Europe.

Ireland remains the poorest of the EEC countries, ranking 25 in the world in terms of GNP. If measured by cars, televisions or even telephones per head it is probably half as wealthy as, say, France. It has moreover, a peculiarly difficult economic and political problem in its persistent high level of unemployment. Officially 9 per cent of its workforce are jobless. However, since this total excludes school leavers, married women and some farmers, as well a ignoring a number of emigrants, it certainly understates the case. Some economists put the true level of unemployment at 13 per cent a rate which in a small workforce of 1.1m would probably be felt to be intolerably high anywhere else in Europe. The problem is going to be aggravated by the fact that Catholic Ireland now also has the fastest growing population in Europe and could have 4.3m people by the end of the century against just over 3m now.

Ireland is beginning to prosper as the fundamental changes of the past decade take effect. This year the economy should grow by 6.5 per cent in real terms, making it the fastest expanding GNP in the EEC. Manufacturing output is expected to rise by between 10-11 per cent this year, according to the Ministry of Economic Planning, new investment in manufacturing by 20 per cent.

In large measure the buoyant conditions can be ascribed to Ireland's membership of the EEC. Ireland's 180,000 farmers have benefited enormously from the good prices under the Common Agricultural Policy. Farm incomes have soared. They increased by 34 per cent on average last year and should rise by at least 17 per cent this year. The wealth, moreover, has

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# Important changes on the horizon

## GREECE

By our Athens Correspondent

THREE MAJOR developments in the coming year are expected to have far-reaching effects on the political and economic future of Greece.

The first is preparation for EEC membership. The second is the settlement, one way or another, of the relationship of Greece with NATO and its interconnection with the country's disputes with neighbouring Turkey in the Aegean.

The third factor is the possibility that the Prime Minister, Mr. Constantine Karamanlis, may decide to step up to the presidency and leave the field open to his succession in the leadership of the ruling New Democracy Party.

Although the toughest part of the Greece-EEC negotiations (concerning agriculture, labour movement and the length of the transitional period to follow full membership) is expected to be tackled this month, most of the main issues have been settled and the adhesion agreement should be signed by mid-1979.

After ratification of the treaty by the Parliaments of the member States, Greece should formally become the tenth member of the Community by January 1, 1981, at the latest.

Over the last 16 years, Greece has fulfilled its obligations under the Association Agreement with EEC and has considerably "adapted" its economy to suit that of other member states. The delay in the harmonisation of Greek agricultural policy with the Community's common agricultural policy has been mainly due to the seven-year interruption during the military dictatorship, when the Association Agreement was frozen by the community.

Greece is now seeking to limit the transitional period, after full membership, to no more than five years.

As the Government sees it, Greece's advantages from its accession to the EEC are both political and economic. Political advantages include the opportunity for Greece to participate in the collective bodies of the Community and thus be able to influence both economic and political decisions. At the same time, the Government feels, democracy will be consolidated at home on the basis of the principles of the European democratic institutions.

Economic advantages include the substantial benefits that the Greek economy will enjoy by gaining free access to the vast and unified European market and obtaining the advanced technology of its EEC partners. Greece will also be given considerable assistance under the Community's common agricultural policy in tackling the problems of its agricultural sector.

In addition, Greece will be able to benefit from the various financial facilities extended to member countries through the Community's funds and banks.

It is estimated that from these funds Greece will receive a net amount of about $440m a year. This sum will not include the financing of Greek business firms by the European Investment Bank.

Under its Association agreement, Greece has received a loan of $125m, the bulk of which was absorbed before the 1967 army coup. A new loan of $350m has been approved.

The Panhellenic Socialist Movement (PASOK) of Mr. Andreas Papandreou and the Moscow-oriented Greek Communist Party (KKE), which together polled 35 per cent. of the votes in the general elections of November 1, 1977, are opposed to EEC full membership.

Mr. Papandreou prefers a special agreement between Greece and the EEC similar to that enjoyed by Norway, claiming that such an agreement would guarantee effective national control of the country's external trade and foreign investments in Greece.

The Government has said it considers the results of the 1977 general elections as an endorsement of its EEC policies and does not intend to hold a referendum on the matter. A retired rear-admiral recently suggested in an article that since no one knew which party would be in power five years hence, national tribulations could be avoided if a referendum were held; the results of which would be binding on all parties.

PASOK and KKE have so far refrained from openly calling for a referendum on the issue, but they may be biding their time. The other opposition parties are in favour of accession.

The negotiations for Greece's return to the military structure of NATO under a special status are more problematic because of Turkey's insistence that the question of who controls what in the Aegean, where it is seeking an increased role, should be settled first.

### Pride

When Greece withdrew from the military wing of the Alliance in the summer of 1974 in protest over the Turkish invasion of Cyprus and NATO's failure to stop it, the move redressed national pride and assuaged public opinion at home. A more pragmatic reason which made that decision necessary was self-defence—with Cyprus occupied, Greece herself could not feel safe in the absence of complete control over her own forces.

In retrospect, the move may have been a hasty one. The expectation that Greece's protest move would have prompted Turkey's allies, and especially the United States, to persuade Ankara to withdraw her troops from Cyprus remains unfulfilled and Greece has now found herself in a less favourable position.

The move allowed Turkey to put forward claims in the Aegean where, in addition to the delineation of the continental shelf, it is now seeking a re-delineation of the zones of responsibility.

Under the special relationship proposed by Greece, the Greek armed forces would remain under national command, except in an East-West conflict when they would be re-integrated into the NATO command.

A NATO ground and air headquarters would also be set up in Larissa, Central Greece, under Greek command, to balance the Turkish-run land and air command in Izmir.

The two separate headquarters would in turn be connected to the NATO headquarters in Naples, Italy. This device would make Greece's withdrawal all but nominal, but help the government save face.

The road to such an arrangement is, however, being blocked by Turkey which is asking that the legal status of the Aegean should be settled before Greece returns to the military structure of the Alliance and that the areas of naval command and zones of air control in the Aegean be redefined.

Mr. Karamanlis has said that Greece has no intention of negotiating its special status with NATO on the basis of conditions put by Turkey and that Greece is in no hurry to return to the Alliance. Political observers point out that whatever concessions are made to Turkey in the Aegean will be a net gain for that country and that the Government's face-saving manoeuvre for a special status with NATO has boomeranged.

All it has done, they say, is to give Turkey an excuse for pressing its claims by vetoing such an arrangement. These tactics, it is believed, could succeed since NATO planners are deeply worried by events in Iran and consider the restoration of stability to NATO's south-eastern sector to be of paramount importance.

They are, therefore, expected to press both Greece and Turkey to accept a compromise solution which would give Turkey advantages it never had before Greece's withdrawal from NATO.

They also point out that one way out of this dilemma would be for the Government to return Greece to NATO as a full member, thus depriving Turkey of its arguments.

However, both PASOK and KKE are clamouring for Greece's complete withdrawal from NATO and the closing of the American military bases operating in Greece under the NATO umbrella.

Their anti-NATO and anti-American stand and the declared policy that "Greece belongs to the Greeks" (as opposed to Mr. Karamanlis' dictum that "Greece belongs to the West") won them votes in the last general elections.

They now point out that in 1974 the Government declared that Greece would not return to NATO so long as the reason which prompted its withdrawal—the occupation of 40 per cent of Cyprus by Turkish troops—still existed.

This is no longer deemed to be a prerequisite in the negotiations for Greece's return to NATO.

Also, the Government has repeatedly declared that the Cyprus issue is not a Greek-Turkish problem and it cannot, therefore, affect relations between the two countries.

Although the Government tried to minimise the importance of the results of last October's municipal elections, political analysts drew a number of conclusions. The first was that Premier Karamanlis' attempt to absorb the disintegrating Union of the Democratic Centre (EDYK) party has failed, at least in terms of votes.

Another was that the KKE used the municipal elections to measure its present strength. In Athens, where it had polled 11.5 per cent of the votes in the general elections a year earlier, its candidate, composer Mikis Theodorakis, received 16 per cent.

### Vital

Although Mr. Theodorakis' personal appeal may have attracted non-Communist votes, the KKE made its point. It proved to PASOK that co-operation between the two was vital; the opposition won almost all the mayorships where a "popular front" had been formed.

More important, a "popular front" with the co-operation of the Communists, a post-war political bogey in Greece, does not seem to frighten voters any more.

The furore caused by the possibility of a junta sympathiser winning the mayorship of Piraeus showed that the Greeks are not ready to easily forgive and forget the military dictatorship which deprived them of democratic rule for seven years.

Despite Government denials, Mr. Karamanlis' initiative earlier this year to appoint liberal politicians to key Cabinet posts, in an effort to change his image as a right-winger, has apparently created dissent within his New Democracy Party.

The appointment of Mr. Constantine Mitsotakis (whose Neo-Liberal Party won a mere 1 per cent of the votes in the general elections and has since been dissolved) as Minister of Co-ordination (the senior economic Ministry) has especially caused friction since it puts him in a good position to vie for the Party's leadership—and the Premiership if, and when, Mr. Karamanlis decides to step up to the Presidency.

The scenario now being put forward by political Cassandras is that if Mr. Karamanlis leaves the helm, the Party will be split into two groups—one under Mr. Mitsotakis representing the liberal section, and the other under Mr. Evangelos Averoff-Tossitsas, the Minister of Defence, representing the traditional right wing.

Mr. Karamanlis' intentions concerning the Presidency should become evident some time in 1979. The five-year term of President Constantine Tsatsos expires in May, 1980, and it is unlikely that Mr. Karamanlis, now 71, will pass up the chance for another five years.

He is likely to make his intentions known after the EEC adhesion agreement (which he sees as the crowning point of his career) is signed. His no nonsense political stature has kept party cohesion and his departure could weaken the conservatives and give Mr. Papandreou the chance to further increase his strength.

On the economic front, the main problems remain inflation, the scarcity of investments, and low productivity. According to Prof. Xenophon Zolotas, Governor of the Bank of Greece, GNP is expected to increase by 6 per cent this year (compared with 3.9 per cent in 1977); industrial production should rise by about 5 to 6 per cent (against 4.3 per cent last year); and agricultural output should increase 7 per cent (after falling 4.9 per cent last year).

Inflation is being contained at 11.5 per cent (from 12.8 per cent last year), as a result of anti-inflationary measures applied by the Government and voluntary price freezes. Productivity is expected to increase by 2 per cent (it fell 1.2 per cent in 1977).

The draft of the five-year plan for 1978-82 predicts an average annual increase of 6 per cent in GNP, 7.5 per cent in industrial production, 3.5 per cent in agricultural output and 9.3 per cent in investment.

Recently announced measures for more effective taxation are expected to increase state revenue and help balance the budget, heavily burdened by defence expenditure running at about 22 per cent of total expenditure and high civil service expenditure which takes up another 40 per cent.

Investment continues to be minimal and it remains to be seen whether a package of investment incentives now before Parliament will manage to convince foreign investors (who have adopted a wait-and-see attitude because of the Government's heavy state intervention) and Greek industrialists (disgruntled over the Government's repeated once-only special taxes which hinder proper planning) to change their minds.

The Government's intention to restrict wage and salary increases to 12 per cent next year is likely to cause labour unrest.

In view of the country's impending accession into the EEC, the Bank of Greece is organising for the first time an inter-bank foreign exchange market. By the end of this year, several banks in Greece will be connected to the Reuter Monitor System, a computerised network linking over 2,000 banks and financial institutions around the world, which will allow them to deal in foreign exchange, a departure from the present strictly controlled foreign exchange regulations.

The Bank of Greece will intervene to keep the foreign exchange rate of the Drachma within the margins of the Government's foreign exchange policy.

An agreement is expected to be reached later this month with the EEC which will bring the Greek drachma into the "basket" of currencies used to compute the European Unit of Account.

In the first nine months of this year, the country's current account deficit increased by 27 per cent to $1.024m. Imports were up 15 per cent to $5,446m, while exports, suffering from international recession and low-productivity at home, rose by only 9 per cent to $2.099m.

The trade gap of $3,347m was largely covered by invisible earnings (tourism, shipping, emigrants' remittances) which increased 16 per cent to $3.084m.

The country's foreign exchange reserves at the end of October stood at $1,171.4m, up $125.7m from the beginning of the year.

# Preoccupation

CONTINUED FROM PREVIOUS PAGE

been put back into farming, so that there has been a real revolution on the land in the form of mechanisation. Productivity on the broad definition of output per man increased by 12 per cent in some parts of Ireland last year.

Parallel to the reform of agriculture, a process of export led industrialisation has also been going on. A state body, the Industrial Development Authority, which this year has a budget of £70m, is empowered to offer grants and other assistance to foreign companies who will set up in Ireland and create jobs. With no restraint on dividend remittance or capital repatriation, over 500 new companies have established themselves in the past decade. For the U.S. and Japanese concerns there is the added draw that they have access to the huge EEC market without the normal tariff barriers, and they do not have to pay tax on exports. Since the Irish market is so small, this often means no tax at all. The EEC Commission has expressed itself unhappy with the scheme, and Ireland has promised to abolish it by 1990. It is confident, however, that it can find some other way of achieving the same thing.

If Ireland is beginning to reap the benefits of five years of EEC membership, however, the process of growth has to be kept going. The answer of the Fianna Fail Government has been some vigorous pump priming. In a white paper setting out its goals for 1977-80, the Government said it is aiming for growth of 7 per cent a year and a GNP of £7.7bn by 1980 compared with £4.5bn in 1976.

It also hopes to abolish unemployment by 1983. To do this it will need to create 20,000 new jobs a year over the next five years. Over half these new jobs each year should come from the IDA. The other half, it is planned, will come by an expansion of public services like the police and public sector construction, as well as certain special job creation schemes.

The Government has so far raised personal income tax allowances, abolished domestic rates, allowed credit to expand (although it does not have full control over its monetary policy as it is part of the sterling area in this regard) and kept up public spending.

The cost has been high. Ireland's public sector borrowing rate is now 13 per cent of GNP. This is a level which many central European bankers would regard as extremely profligate. Should the economy turn sour, Ireland could find itself overburdened with debts, particularly foreign debt.

While the Government is hoping that greater output and growth, and all this means for higher Government revenue, will help curb the deficit, it is clear that if the Cabinet is to get the PSBR level down to 10½ per cent next year and 8 per cent the year after that (as it has promised), then some cuts in public spending, probably in the social sector, and possibly increases in taxation will be necessary.

# Labour casts a shadow

**DENMARK**
**Hilary Barnes**
*Copenhagen Correspondent*

ALMOST EVERYONE now expects that in April there will be a major strike conflict in Danish industry. In the public sector, too, it is possible that strikes will break out as a number of chickens launched into the air with the unsuccessful 1977 stab at incomes policy come home to roost. The police are threatening to strike (it would be the first time). The teachers are talking about a work-to-rule, and other groups are expected to join the militant grousing as winter deepens.

The labour market problems cast a shadow over the first part of 1979. Not only will conflicts add to the country's economic problems, but they will present a severe test of the cohesion of the Social Democratic-Liberal Government which was formed in August.

In the private sector it has long been clear that the biennial collective wage negotiations would be exceptionally difficult. The Employers' Federation has demanded a wage cut for the first time since 1932, as well as an end to wage indexation. The TUC, for reasons which will emerge, has not formulated its wage claims, but the major unions have made demands which, if met, would put 20-30 per cent on hourly wage costs. The demands include a cut in the working week from 40 to 35 hours and an increase in the four-week annual holiday to five weeks, wage increases and improved indexation arrangements.

The TUC, however, which negotiates collective agreements on behalf of member-unions, demanded that unless "economic democracy," or wage-earner co-ownership, was placed on the negotiating agenda, it would refuse to discuss wages. The employers flatly refused on the ground that they cannot agree to negotiate away the property rights of members.

The wage negotiations therefore never got to first base before they broke down. There is still plenty of time in which matters can be patched up. The current agreements expire on March 1 and according to the normal negotiating procedures the final break can be put off until early April. But it seems that TUC chairman Thomas Nielsen is openly seeking a conflict, declaring that in this case the Folketing will have to intervene with an incomes policy solution and that the unions will not agree to incomes policy except in return for economic democracy.

When the TUC talks about economic democracy it is talking about a proposal it put forward in 1973, and which was actually presented to the Folketing as a Bill by the then Social Democratic minority government, but an election defeat stopped the Bill from going forward. According to this proposal, a compulsory system of wage-earner co-ownership would be established for all employees in the public and private sectors.

## Payments

The means would be the payment of a percentage of the wage bill plus a percentage of net profits to an investment fund, controlled by the union movement, by all companies with 50 or more employees. Two-thirds of the company contribution would remain in the company as wage-earner equity capital, carrying full voting rights. Over a period of years the wage - earners would accumulate a vast fund and a dominant share of corporate equity capital. All wage and salary earners would receive an annual certificate representing their holding in the central fund. The certificates would be redeemable after a period of years at its current value.

There is no possibility of obtaining a majority for this proposal in the current Folketing, which was explicitly recognised by Prime Minister Anker Joergensen when he formed the coalition with the Liberals in August. There is little popular support for economic democracy either. So what Mr. Nielsen really expects to obtain remains somewhat mysterious.

A widespread opinion, expressed by Mr. Joergensen among others, is that both the TUC and the employers deliberately made unrealistic demands in the hope that the politicians would pull the chestnuts out of the fire.

In the public sector the problems arise because in 1977 the Government set a 6 per cent a year pay norm for the current two-year collective agreements, which it successfully imposed on the public sector unions, but the TUC made off with increases of over 10 per cent a year. The public sector employees are understandably bitter.

The outcome of the wage negotiations is clearly crucial. The coalition Government was formed in August to introduce a greater element of stability to economic policy as well as to the political scene, and the central pillar of Government economic strategy is an incomes policy which can reduce Danish inflation rates and restore competitive ability.

The Government plans to call the parties in for tripartite incomes policy discussions, but is keeping very quiet about its intentions otherwise. If the TUC persists in heading for a conflict, the Government may well let the unions take the consequences of their obstinacy and only intervene after a strike has broken out, if at all. In any event it promises to be a testing time for the coalition.

If labour market problems do not create too much trouble (and Danish problems have a characteristic way of outwardly appearing far more serious than they really are), the economy should perform rather better in 1979 than in the past two years.

Since the autumn of 1976 the economy has been under the restraint of tight fiscal and monetary policies made necessary by a weak balance of payments position. The current balance has been in deficit in every year except one since 1960, and the net foreign debt by the end of the year will be close to Kr 60bn or 20 per cent of GDP. A steady reduction of the deficit year by year is a cardinal point of Government policy.

It now seems fairly certain to achieve its objective for this year, a reduction of the deficit from Kr 10bn in 1977 to Kr 7.5bn, or from about 3½ per cent to 2½ per cent of GDP. The target for 1979 is a deficit not exceeding Kr 6½bn.

The inflation rate has fallen markedly this year, though chiefly as a result of falling prices for imported raw materials and less because domestic costs are under control. Consumer prices over the year will probably rise by about 7 per cent this year, although the year-on-year average increase will be at least 10 per cent. Next year the Government believes that it can hold the increase to about 6½ per cent, but banks and other independent forecasters are predicting about 8 per cent.

The Government's fiscal policy allows for a rise in real private consumption of between 1 and 2 per cent next year after no rise in 1978. This, together with a slight improvement in housing and business investment and exports, should enable GDP growth to move up from about 1 per cent this year to between 2 and 3 per cent next year.

However, non-government forecasters fear that this will lead to a new deterioration in the current balance of payments deficit and the necessity of further squeeze measures. As Copenhagen Handelsbank said in a recent survey, the current deficit will probably not be eliminated until the mid-1980s, and until then demand deflation policies will also have to be applied, which implies a poor outlook for the 8 per cent of the labour force currently out of work.



# A crisis period

**TURKEY**
**Metin Munir**
*Ankara Correspondent*

AFTER PAKISTAN, Afghanistan and Iran is it Turkey's turn to take the plunge from turmoil to chaos and from chaos to uncertainty? The briefest answer to this question is that Turkey may barely escape by the skin of its teeth. Although sharing many drawbacks of underdevelopment with these northern tier countries Turkey is blessed with two advantages—a fairly strongly rooted democracy and an army which has no dictatorial aspirations. These, coupled with the resilience of the economy and the people, may well see Turkey through what is without any doubt one of the most difficult periods of its history.

The main elements of the current difficulties are the economic crisis and political violence. So far this year more than 600 people are believed to have lost their lives in the blood feud between extreme left and right-wing factions. Countless people have been wounded or arrested. Nearly 2,000 await trial in jails which have recently turned into arenas for violence.

The roots of the violence are complex and often impossible to fathom. It manifests itself from common hit-and-run murders to hijacking the ferries which shuttle between the European and Asiatic sides of Istanbul.

The principal purpose of both Right and Left appears to be to bring about the overthrow of the Government and after that of democracy. So far, however, the terrorists have achieved little except to keep alive a general feeling of gloom and despondency.

The political parties are as disunited in the detection and treatment of violence as they are on almost everything else. Mr. Suleyman Demirel, the right-wing main opposition leader, accuses Prime Minister Bulent Ecevit of being lax and irresponsible and considers the extreme Left to be to blame.

He derides Mr. Ecevit for using "compassion and understanding" rather than extraordinary courts and the stick. Referring to Communist youth who shout "struggle unto independence," he says: "You either give them what they want or silence them." Mr. Alparslan Turkes, chairman of the ultra-right-wing Nationalist Action Party, is openly in favour of the declaration of martial law and giving "the responsibility and authority to the army."

Mr. Ecevit is accusing Mr. Turkes's youthful supporters, the Commandos or Grey Wolves as they are popularly called, of constituting the right-wing front of the political blood feud. He has tightened up security to the extent that there is a soldier with an automatic rifle in front of every bank in Istanbul. He has also tabled a Bill for tightening up legislative measures. The overall result of his efforts to date, however, remains unimpressive—hardly a day passes without a political murder, and a situation has now been reached in which such murders create as much stir as traffic accidents—for which Turkey holds the world record. Unless Mr. Ecevit declares martial law—and he is adamant not to do—it is unlikely that he will be able to obtain a substantial reduction in deaths from political violence in which, barring Iran and the Lebanon, Turkey is also world leader.

What must provide the terrorists with a lot of steam is the economic crisis, which gives them a bad situation that they can make worse.

On the economic front Mr. Ecevit's record is more impressive, although it is not yet possible to say that he can prevent Turkey from sliding into a prolonged slump. He was quick to respond to the crisis which he found in full swing when he came to power last January. He adopted a stabilisation programme whose principal features were a substantial cut in public demand in real terms, credit restrictions, higher prices for state-manufactured goods, a reduction in the import volume and a devaluation of the Turkish lira by 23 per cent in relation to the U.S. dollar. Afterwards, he reached an agreement with the IMF for a standby loan of $450m over a two-year period towards bringing external account relief.

## Agreements

By the beginning of October Turkey had signed agreements with various governments, international organisations and commercial entities for programme credits, projection credits, financing of advance payments and grants, amounting to $1.6bn. Steps were taken to restructure the $7.1bn short-term debt which included in September arrears totalling $2.2bn. Agreement has already been reached on the restructuring of $1.2bn of Turkish debts to suppliers covered by export guarantee agencies. Rescheduling of about $3bn owed to foreign banks is under way and is expected to be successfully completed by the beginning of next year.

Simultaneously with the rescheduling plan Turkey has sought a $500m medium-term facility from the international banking community, towards which seven major banks have put forward $25m each.

While laying the foundations of crisis management, this is what the OECD concluded in a confidential report on Turkey in mid-October: "In the second quarter of 1978, industry showed signs of stagnation as imported spare parts and supplies became more scarce, though agricultural output rose. Towards the end of the year, the shortages in the economy became more widespread, unemployment increased and, whilst reduced demand pressure gave some temporary relief for the high negative trade balance, Turkey still seemed to be in the middle of her worst economic crisis in many years."

Mr. Ecevit will clearly be obliged to tighten belts further and continue with the politically thankless task of crisis management. This he clearly does not wish to do. He has been blaming the west with increasing virulence for not rallying round and making threats about "looking elsewhere." Understandably, he must think of his political chances and those of his ruling "democratic Left" Republican People's Party, from which recent ominous grumbles have become audible. However if he cannot live up to the standards of the IMF he is bound to have access to the third tranche and any opportunity he has of raising fresh loans from the Eurodollar market.

With such pressing issues at home, foreign policy issues have been relegated to the background where, barring any dramatic developments, they may be expected to stay. The lifting of the U.S. arms embargo has removed the three year long tesion from Turkish - American relations, and negotiations are now under way for formulating a new defence co-operation agreement. Cyprus and the conflict with Greece is festering in the background and causing much discomfort.



# Independent nature

**YUGOSLAVIA**
**Aleksander Lebl**
*Belgrade Correspondent*
**Anthony Robinson**
*East Europe Correspondent*

THIS HAS been an eventful year for Yugoslavia. In foreign relations Belgrade hosted the follow-up meeting to the Conference on Security in Europe (CSCE) and the ministerial conference of the non-aligned movement, and welcomed a host of foreign visitors ranging from Chairman Hua Kuo Feng to Mrs. Thatcher and Prince Charles. At home the continuing vitality of 86-year-old President Tito and the leading role of the League of Communists were underlined at the eleventh party congress in June, which endorsed Yugoslavia's independence and non-alignment in foreign relations and self-management in domestic affairs.

Neither of these policies are easy to conduct. At the ministerial non-aligned conference, held to pave the way for the non-aligned summit conference in Havana next year, Yugoslavia led the opposition to what it sees as an attempt by the Soviet bloc to split the non-aligned movement and transform it into a group of progressive countries linked with the "socialist community." Yugoslavia showed its deep concern, in particular, at the Cuban-Soviet policy in the horn and other parts of Africa and the way in which Sino-Chinese rivalry was developing in South-East Asia.

In a hard hitting speech at the Yugoslav Trade Union conference last month President Tito also underlined the importance of a strong economy in the maintenance of Yugoslav independence. He strongly criticised some of the negative tendencies developing in the self-management system. He singled out excessive investment unmatched by adequate finance, the tendency to put higher employment and higher wages before increases in productivity, a tendency towards "bureaucratic and technocratic" methods rather than collective responsibility and the problems caused by inflation of 15 per cent and the continuing deficit in the balance of payments.

These are to a large extent problems of growth. The economy is half-way through the current five-year plan aimed at developing the energy and raw material base of the economy, improving transport and other infrastructure as well as developing a self-sufficient agriculture—which has now been achieved—and a competitive industry.

Investment is running at a high level—a total of some 30,000 projects worth a total of $33bn when complete are underway—but this has led to both overheating and a strain on the balance of payments. Industrial production is running at an annual growth rate of over 8 per cent.

To dampen the economy down the central bank imposed a credit squeeze in July, and moves are now under way to persuade the individual Republican governments and enterprises to modify their plans for 1979 and aim at 6 per cent growth and higher priority for exports.

Thanks to the credit squeeze, tight controls on imports and the running down of stocks, the trade deficit is expected to be marginally lower at around $4bn this year compared with $4.38bn last year.

But Yugoslavia is also putting its hopes on current negotiations with the EEC for the conclusion of a "sui generis" agreement to succeed the five year agreement which expired this autumn. Yugoslavia insists on the term "sui generis" rather than preferential, because, although it is in effect seeking preferential terms of entry for its industrial and agricultural goods in order to reduce a deficit of around $2.6bn on its EEC trade, both sides have agreed to search for a formula which in no way infringes Yugoslavia's non-aligned status.

## Trade

Both sides are aware that Yugoslavia has to be able to step up its trade with the EEC if it is to retain what Yugoslavia considers a properly balanced ratio of trade with the OECD countries generally and with Comecon. So far this year trade with Comecon has again risen considerably, while trade with the EEC has declined.

EEC Foreign Ministers were unhappy with the original draft negotiating mandate submitted to them in October, and the negotiations look like being protracted—baby beef, refinery products and social security and Community access questions for Yugoslav emigrant workers are some of the main stumbling blocks.

Yugoslavia's biggest EEC trading partner, and the country with whom it has the largest deficit, is West Germany. Most of Yugoslavia's emigrant workers are employed in West Germany, too, and the savings they send back to Yugoslavia are a major contributor to the balance of payments.

In spite of this, however, Yugoslavia refused a West German request for the extradition of four suspected West German terrorists and last month expelled them instead.

This caused an uproar in West Germany but the Yugoslav authorities have charged West Germany with double standards because of West Germany's refusal to extradite nine suspected Croatian extremists as requested by Yugoslavia.

But Yugoslav willingness to incur West Germany's ire reflects the high priority which the authorities put on the suppression of extremism, both of the right-wing nationalist variety and the left-wing "Stalinist" or "Cominformist" type. They perceive this as a threat both to the unity and independence of the Federal Yugoslav state with its six republics, two autonomous provinces and 18 ethnic minorities and its strategic balance between East and West.

As for the leadership, this has been reorganised on a collective presidency of the central committee, with President Tito President for life and the vice-president chosen from each of the republics and autonomous provinces in turn on an annual basis. Last month Mr. Branko Mikulic from Bosnia became this year's vice-president. He is considered a hard liner and a stickler for party discipline, coming as he does from the republic which has the greatest mix of nationalities and ethnic groups.

The 1974 constitution set up a similar rotating vice-presidency for the presidency of the republic aimed at ensuring a smooth transition of power when President Tito finally leaves the scene.

# Steady progress towards democracy

## SPAIN

Robert Graham

*Madrid Correspondent*

FOR THOSE who doubted Spain's ability to effect a stable transition from dictatorship to democracy, this year has provided further, and hopefully conclusive, evidence of how misplaced such doubts were. Both the politicians and the country as a whole have demonstrated that they can come to terms with the three potential sources of instability—a Right-wing backlash with support from the army; provocation from extremist terrorism, especially that carried out by the militant Basque separatist group, ETA; and social unrest resulting from Spain's deep economic recession. The kindly view is that this has been achieved through political maturity. A more cynical one is that most Spaniards are politically indifferent and are content with the middle-of-the-road reformism of the Suarez Government—which in turn is a shrewd assessment of the mood of the country.

During the year the armed forces have been discreetly but firmly removed further from the political arena. Changes have taken place in the command structure with the net result that the armed forces come directly under the orders of the Cabinet while the King, as their supreme commander, acts in a moderating role. There are still elements who do not conceal their mistrust of democracy. But the country is in no mood for the generals, and they know it.

The bizarre scheme uncovered last month in which police and army officers were to seize the Cabinet revealed that there are still groups of right-wing extremists prepared to resort to force in an attempt to reverse democracy. However, throughout the incident there was no suggestion that the loyalty of the armed forces was in question or that such a plot had their active support.

Political terrorism could have unnerved the Government. This year there have been 72 politically motivated assassinations including the Director of Prisons, two senior Army officers and the former Director of Franco's hated Public Order Court.

Although the authorities are deeply concerned by the increase in terrorism, there is nothing to suggest that Spain cannot absorb it or that it will permit itself to be provoked by it. Certainly if the aim has been to disrupt the constitution, the symbol of democratic Spain, then it has manifestly failed.

Fears of destabilising democracy among the trades unions and in the Communist and Socialist Parties have played an important part in the minimising of social tensions over unemployment and squeezed incomes. Unemployment is now over 16 per cent of the active population in parts of Andalucia and Galicia. The jobless total for the country is over 1m—and shows no sign of *coming down.*

There are genuine social grievances over poor housing, *the failures of the public health* service and inadequate education facilities. But except in isolated instances—in Cadiz and Malaga mainly—the Left and the trades unions have not sought to exploit this.

The overriding concern for the consolidation of democracy has resulted in a relatively smooth passage for the elaboration of the country's new constitution—the seventh since 1812.

The 168-article constitution proclaims Spain to be a "*Parliamentary Monarchy*"—a somewhat ambiguous phrase which basically recognises the key role King Juan Carlos has played in the transition period and accepts the monarch as the symbol of Spain's unity. Once the constitution is approved by referendum on December 6, the considerable de facto powers of the monarch will be curtailed. From now on he will act as a constitutional monarch, arbiter but not leading actor. He can *only "propose" a Prime Minister*: the choice has to be approved by Parliament.

### Liberal

The constitution endorses the idea of a liberal market economy and for the first time embraces the concept of respect of human rights. If anything it drifts on the side of conservatism. Tenuous acceptance of divorce is conceded but abortion is rejected. In the same vein the constitution accepts freedom *of worship* but recognises the specific Roman Catholic character of Spain—a concession by the Left. It further upholds the right of private education, a hotly contested point in view of the dominant control of private education by the Church, *often* with State-backed funds. Finally it accepts the distinct regional differences within Spain and endorses regional autonomy.

It has fallen well short, however, of devolving important areas of autonomy and does not meet the full demands of the Basque nationalists. How much *this will weaken the life of the* constitution and complicate the task of resolving the conflict in the Basque country remains to be seen.

Approval of the constitution in the national referendum will open a new political era. For a start Prime Minister Adolfo Suarez will have to decide within 30 days of December 6 whether to call a general election or seek a vote of confidence. These two options were provided in an addendum to the constitution so as to "legalise" his tenure. This is because Sr. Suarez, *although heading the* Union de Centro Democratico (UCD), the party that won the *most* votes in the June 1977 elections, was nevertheless chosen as Prime Minister by the King.

If Sr. Suarez decides to go for a vote of confidence then it means he will probably stay in power until 1980. This has obvious attractions in that it would enable him to continue to mould UCD into a reformist party of the centre and permit him to reinforce, through the *appointment of his own men*, his control over the reins of power. It would also establish a certain independence between him and the King.

The Communist Party would for its own reasons prefer this move. General elections are disruptive at this juncture, it argues and two more years with basically the same Government team—or preferably with some opening to the Socialists and *themselves—will give greater* solidity to democracy. The Socialists on the other hand, who hold over 30 per cent of the vote, feel it would be unwise for them to condone UCD tenure until 1980 and are more enigmatic, anxious to dispel the image that they are too inexperienced to govern.

Where both the Communists and the Socialists, the main opposition, do agree is over the holding of municipal elections. *Technically* Sr. Suarez is obliged to hold the municipal elections within 90 days of the *referendum. Both parties con*sider the municipal elections vital to their future electoral strength. The municipalities, moreover, are one of the last remnants of the Franco administration, the majority of members being appointed under the dictatorship. Political pundits predict a widespread shift to Socialist and Communist candidates in the municipal elections, so giving the country—at a local *level—a much altered political* complexion.

It is precisely this shift that Sr. Suarez fears. Thus some of his advisers urge that it would be a much safter tactic to go for a snap general election. They argue that the government, provided there is a high "yes" vote in the constitution referendum on December 6, will benefit from this poll in public kudos. A spring general election would exploit this kudos and bring in a new UCD government, so avoiding the potential *embarrassment of losses in* municipal elections which would be postponed until later. This tactic also has the attraction of testing the electorate before the Right reorganises and erodes some UCD support.

It is unlikely that we shall know the answer to this dilemma until the end of December or early in January. Sr. Suarez is not a man to commit himself too far in advance. Meanwhile the complexity of the choice has intensified the political atmosphere, and injected uncertainty into the continued equilibrium of the political forces.

### Package

Until now the basic equilibrium has been provided by the Moncloa pacts—the package of political and economic agreements signed by all the main political parties in October, 1977. In return for accepting a *wage ceiling of 22 per cent* and a tight control of the money supply the Socialists and Communists were pledged wide-ranging reforms from greater accountability of government, and a new fiscal system, to a revamping of the social security services and a repeal of outdated Franco laws. The pact was agreed to cover 1978. It is now a question of how and in what form—if at all—these pacts should be continued or renegotiated.

The Government has drawn up an economic strategy for 1979 which envisages a wage ceiling of 12.5 per cent and limitation of money supply to around 15 per cent. Instead of persuading the main political parties to endorse this, Sr. Suarez is attempting to sell this policy by obtaining the agreement of those most concerned—the trade unions and the employers.

The employers are willing to play along and are prepared to make commitments on desperately needed new investment. But they will only do so if the unions accept a relaxing of the strict regulations on hire and fire. The unions, however, are resisting strongly the idea of a 13.5 per cent wage ceiling and want to tie any agreement to more political demands—in particular a firm date for the municipal elections.

The Government, seemingly influenced by Britain's Mr. Callaghan, is taking a tough stand. At the moment the unions are calling their bluff. If this impasse continues and the unions suspect that the Government is going to opt for a general election in the spring, then it is possible that there will be no formal renewal of the Moncloa pacts. Unions and employers at plant level will be left to argue it out, with a lead *being provided* by the Government in awards to the public sector.

Whatever happens, *therefore*, politicking is almost certain to preoccupy the Government and the main political parties right up to the late spring. This means that much pending legislation and less urgent matters will have to wait until then.

# Political anomalies

## PORTUGAL

Jimmy Burns

*Lisbon Correspondent*

"THE FORMATION of a Government that does not include representation from any of the political parties is neither original nor irregular," said President Antonio Ramalho Eanes at the swearing in of Dr. Carlos Mota Pinto's administration. The cool manner in which the President delivered such an assertion scarcely two years *after Portugal's first Parliamentary elections in nearly half a century*, was perhaps the most recent reminder that Portuguese politics are today somewhat more complicated than the cliched graffiti on the town wall.

Since a Left-wing military coup toppled the Salazar regime on April 25, 1974, the *Portuguese political pendulum* has swung between extremes to settle somewhat shakily in the middle. But in another way, the idea of a workers' revolutionary state or a return to a fascist dictatorship have been overcome by the men in power, and instead the country has been put firmly on course towards *Western-style democracy* within the context of the European Community.

### Complexion

But such a simplified version *of events in the past four years* only half explains Portugal's political complexion. It does not *explain, for example, how* in July an apparently solid socialist/conservative alliance that had "worked" in Government for six months fell apart because of the policies of an agricultural minister. It does not explain how, less than a month after that, Portugal's major political party, the Socialists, clashed with the President of the Republic over an article in the constitution.

Other events this year can be cited, but these two examples confirm that even in 1978 Portugal's apparently smooth passage *into the European fold* is not without the pitfalls of issues which are *unique* in Portugal.

The fall of Portugal's second constitutional Government in the summer was a reminder that agrarian reform continues to be among the most politically sensitive issues for the Portuguese. Months of political co-operation between two supposedly opposite political *parties, growing confidence* abroad with what appeared to be a realistic approach to the *country's economy, and* a behind the scenes rapprochement with Portugal's Communist Party, ensuring a measure of industrial peace, all crumbled because of this one issue.

The clash between the Socialists and the President over the *constitution* simply brought into the open something that had been left in abeyance. The *Portuguese* constitution is perhaps the most contradictory set of guidelines in Europe. It was *conceived* and written over two years ago, at a time when Marxist revolution still seemed a possibility and when the Left-wing military still held the reins of power. It is filled with ambitious concepts such as the path towards socialism and the gradual transference of the means of production—its references to the military's role is dominated by an inflated sense of their political importance. On the other hand it is filled with vague liberal concepts which serve as a reminder of the other sides involved in formulating the text, namely *the Socialists and the Social* Democrats.

The constitution has been *overtaken by events and*, as it now stands, obscures rather than clarifies the country's political reality. The clash between the Socialist Party and the President essentially centred on the text's ambiguous definition of Portugal's political institutions, the presidency and the parliament.

Clearly the complexities of Portuguese politics will not be fully resolved until a new constitution *is drawn up, or at least* until the present one is adapted to comply more readily with what the majority of Portugal's political parties now aspire to: a pluralist society, a free market economy and membership of the EEC.

Nevertheless 1978 has seen an attempt to manoeuvre within existing constraints. The Socialist/Conservative alliance was, for example, the *first Portuguese Government since* before the revolution openly to advocate the return of private capital and investment as an essential motor of the Portuguese economy.

Investment is also being drawn back to Portugal as a result of what seems to be a much clearer policy with regard to *indemnification*. It is now known, for example, that Sr. Alfredo Nobre da Costa's *administration during its brief* existence got as far as to evaluate provisional values of shares that could be paid back to nationalised companies in the form of bonds.

Equally significant has been the continuing depoliticisation of the military. This year saw the removal of the few remaining left-wing officers from positions of power. The Military Council of the Revolution, which is given a prominent role within the constitution, is now a mere semblance of its former self. The Council, most observers now agree, is simply marking time until it quietly dissolves itself in 1980.

*The change within* the military, as indeed other aspects of the political evolution during the last 12 months, has been largely due to President Eanes.

### Stature

The little known army officer of three years ago has grown in stature as a politician who, many believe, holds the real balance of power in Portugal. Not only does he command the respect of the armed forces, but by the terms of the constitution, he also has a final say on whether or not elections should be called. It is this last power that *President Eanes has* increasingly reminded his politicians of lately.

Almost exactly a year ago to the day, the (then) Prime Minister Mario Soares faced parliamentary defeat, having failed to find a spirit of consensus among the political parties. The parties can still not agree among themselves. Because of this the President has turned for the second time this year to a non-party administration as a possible solution to the political impasse. He has warned *that if* this is turned down by the parties, he may be left with no options except *to call a general* election.

# Austerity begins to pay off

NORWAY
Fay Gjester
*Oslo Correspondent*

ONE TASK has had high priority for Norway's Labour Government in the year now ending. It has had to convince the whole population, including Labour's traditional supporters in the trade union movement, that the economy was in serious trouble and that almost everyone would have to make sacrifices to help put it right. Drastic action was needed to slow the rise in the country's NKr 85bn (£8.5bn) foreign debt, much of it run up from 1974 to 1977, when Norway was trying to spend its way out of the international recession.

After a year of step-by-step belt-tightening measures, a 15 month price and incomes freeze was announced in September. This was followed in October by a severely pruned 1979 State budget, providing for only a minimal rise in public sector spending and zero growth in private consumption. The budget was approved by an overwhelming majority in the Storting (Parliament), and the price and incomes freeze is supported not only by Norway's TUC but—according to recent public opinion polls—by almost 80 per cent of the population. This is a measure of the Government's success. It is an impressive, almost startling, achievement against the background of experience in other countries, where unions have stoutly resisted governmental efforts to control wage inflation.

## Persuasion

Inevitably, this exercise in mass persuasion took a little time. Until very recently, after all, Norwegians regarded their offshore oil as a guarantee of almost indefinitely escalating prosperity.

As recently as last spring, the unions would not accept the employers' view that existing wage contracts should simply be extended, without pay increases. The argument that soaring wage costs had made Norwegian industry uncompetitive may have been privately accepted by some unions leaders. They knew, however, that their rank and file were not ready to accept a wages standstill. When the two sides failed to agree, the Storting ruled that the spring wages settlement should be entrusted to an impartial Board, and moderate increases were awarded.

Through the year, the bad tidings continued to flow in. The mirage of boundless oil wealth faded. Estimates of future oil and gas output and earnings had to be lowered — several times and by substantial amounts. World oil prices were not rising at the rate Norwegian experts had foreseen, and in real terms, they were falling. Costs of developing the offshore fields, on the other hand, were climbing at a rate which dumbfounded most Norwegians. In September, for instance, the operators on the giant Anglo-Norwegian Statfjord oil and gas field announced that the estimated cost of the field's second platform had soared by nearly 50 per cent—from NKr 7bn, to about NKr 10bn—in only nine months. Completion delays were also commonplace.

At a Kristiansand oil seminar last month, delegates were telling one another that there were two laws governing offshore oil activity. One: "Regardless of how much has been invested, the amount still to be invested remains constant." Two: "Regardless of how far the project has advanced, completion is always six months away."

In many other sectors of industry, profits were falling and order books were emptying. The annual reports of virtually every major industrial company made some reference to Norway's high cost problem and the difficulty of competing abroad. Most announced cutbacks in investment. Norsk Hydro, Norway's largest industrial concern, pointed to the special problem of soaring construction costs in Norway: "Under the circumstances, it is difficult at the present time for Norsk Hydro to undertake economically viable investments in new capital-intensive facilities in Norway."

The news was not all bad, however. Austerity moves at the end of 1977 and in early 1978 had helped to slow the consumer boom even before the autumn crisis measures. These moves included curbs on consumer credit and special taxes on luxury spending. To encourage saving, interest rates were allowed to rise. As belts were tightened, imports fell, and exports rose. By October, the Government was able to scale down its April estimate of the 1978 payments deficit (NKr. 20.8bn) to only NKr. 12.6bn.

Higher earnings from oil and gas have helped to improve the payments position. Despite the delays offshore, oil and gas production have been increasing. They are expected to double in 1978 to about 30m tonnes of oil equivalent. Two factors explain this year's sharp rise in petroleum production. First, 1978 is the first full year in which both the Frigg and Ekofisk gas pipelines have been operational; second, there has been no major accident, like the 1977 Ekofisk blow-out, to hit production. Next year, petroleum output will rise less sharply, by about 33 per cent to 40m tons of oil equivalent.

Next year's smaller increase in petroleum production partly explains why the GNP is expected to grow by only 1.8 per cent from 1978 to 1979, against an anticipated rise of 3.1 per cent from 1977 to 1978.

## Strength

One factor hampering exports has been the strength of the Norwegian krone, tied to the German mark through Norway's participation in the European currency snake. Twice in 1978 the krone has been devalued against the other snake currencies—in February, by 8 per cent and in October by a smaller amount, when the D mark was revalued. The effect of these devaluations has been partly cancelled, however, by the continuing slide in the value of the dollar. This fell particularly hard on the paper and pulp industry (because of competition from North American producers), on the tinned and frozen fish industry (which is a big exporter to the U.S.) and on Norwegian shipowners with vessels on long-term dollar charters.

An increasing number of shipowners and industrialists have been calling for yet another devaluation of the krone, to improve Norwegian competitiveness. Some would like to see Norway leave the snake and set a value for its currency against a basket of currencies belonging to the countries that are its main trading partners—as Sweden has been doing since August, 1977. With a price and incomes freeze in force, it is difficult for the Government to consider any further adjustment of the krone's value at the moment, since devaluation would raise import costs. If the dollar should again collapse, however, a krone devaluation might become inevitable.

Unemployment has been rising in Norway, particularly among young people, in the merchant fleet and in the shipbuilding and heavy engineering industries. It is still well below the level of most OECD countries, however. In the third quarter of this year, 43,000 people (2.3 per cent of the labour force) were looking for work. This was the highest figure since the fourth quarter of 1975, and compared with only 29,000 in the second quarter of this year and 25,000 (1.3 per cent) in the third quarter of 1977.

As part of the Government's economy drive, it has announced that it will no longer subsidise companies that are not viable in the longer term, just to preserve the jobs they provide. Instead, the 1979 budget contains a special allocation of NKr 450m to help cope with the rising number of jobless. The money will be spent on training schemes, job relocation assistance and special payments to firms which hire "difficult" categories of workers, such as the under-18s or those over 50 who have been unemployed for some time.

A notable event in 1978 was the announcement of the plan for Norway to acquire a 40 per cent stake in Volvo, of Sweden. The purchase will be one element of a package deal that will also involve Sweden's Government, which hopes to secure safe supplies of North Sea oil under a long-term agreement. Norwegian industry's enthusiasm for the scheme has been lukewarm. There has been much scepticism about Volvo's dubious undertaking to create 3,000 to 5,000 new jobs in Norway if the deal goes through. Both Governments are pressing ahead with the plan, however, and the final details of the package are due to be announced on December 8. Whether the Storting and Volvo's Swedish shareholders will approve of it remains to be seen.

# The road to recovery

SWEDEN
William Dullforce
*Nordic Correspondent*

SWEDEN ENTERED 1978 under the rule of the first non-socialist majority Government it had known in 45 years. It finishes the year governed by a minority cabinet formed by the Liberals who command only 39 of the 349 Riksdag (parliament) votes. The collapse of the non-socialist coalition should ease the return to power of the Social Democrats in the general election next September.

On the economic front the country appears to be on the way to recovery after the successfully managed devaluation of the krona in August. The balance of trade has swung into a larger surplus than anticipated, the payments deficit should be cut by more than half and the national economic research institute forecasts a 4 per cent growth in gross national product in 1979.

But Swedish economists are not exactly striking an ebullient note. Some still feel unsure about the strength of export demand. Unemployment, although low by the standards of most other European countries, remains a concern, while the unprecedented budget deficits forecast for the next couple of years threaten a new burst of inflation. Most fundamentally of all, the blows struck to substantial parts of the Swedish industrial apparatus—shipbuilding and steel most prominently—call for a major renewal effort.

The seed of disintegration was already present in the three-party coalition of Mr. Thorbjoern Faelldin, when it was formed after its election victory in 1976. The Centre Party leader had promised in a vigorous conclusion to his election campaign to halt Sweden's march into the nuclear society and to close down the existing nuclear power plants.

Mr. Faelldin was trying to rein in horses already in full gallop. Once in office he found himself not only in conflict with his Liberal and Moderate (Conservative) coalition partners but also with the nuclear establishment. The Social Democrats, with the approval of the Riksdag, had launched Sweden on a nuclear power construction programme without parallel in any other country with so small a population.

The result was that, in addition to the usual frictions of coalition Government, the three non-socialist parties found themselves staggering from one crisis to another over the decision whether to complete, fuel or activate nuclear stations in various construction phases. Each compromise twisted the tangled nerves of Mr. Faelldin's conscience, just as each compromise lowered the political credibility of the coalition.

The three parties had managed to agree on a nuclear safety stipulations Act, which the Riksdag passed in 1977, laying down rules for the reprocessing and storage of waste nuclear fuel. The power companies, it was agreed, had to satisfy these requirements before further reactors could be put into operation. The Act proved to be a fragile compromise in that it opened the way for further conflict over the power companies' claims to have met the requirements.

Matters came to a head in October, just two years after the formation of the non-socialist Government, over the activating of two more reactors. Initially it seemed that Mr. Faelldin had managed to bring off yet another compromise with the Liberal and Moderate party leaders, but a revolt among the anti-nuclear hard-liners within his Centre Party finally overloaded his conscience and he resigned.

## Underlined

Subsequent proceedings only underlined the fundamental disunity in Sweden's anti-socialist camp. Mr. Faelldin himself and Mr. Goesta Bohman, the Moderate Party leader, had assumed that the Liberals and Moderates would soldier on in a minority cabinet under the Liberal leader, Mr. Ola Ullsten. Instead, after a week of uneasy consultation and recriminations, during which Mr. Olof Palme, the Social Democrat opposition leader, dominated the television screen, Mr. Ullsten chose to go it alone without the moderates.

His decision was probably the right one tactically for his small party. It allows him to seek majorities for Riksdag legislation to the Left as well as to the Right. Opinion polls taken after the Government crisis indicate that he read the electorate's views accurately. And, if the Social Democrats do not succeed in getting an overall majority on their own in the 1979 election, Mr. Ullsten may still have the option of strengthening his party's influence through some form of co-operation with Mr. Palme.

So far Mr. Ullsten's political pronouncements have been reticent and cautious, as they are almost bound to be for the Prime Minister of a Government with so little direct support in the Riksdag. He has not closed the door to a new coalition of the three non-socialist parties, should they against all current indicators win the next election — and be able to resolve the nuclear dilemma. But by so pointedly spurning the moderates' embrace he must have further eroded the voters' faith in the plausibility of the non-socialist alternative.

The politician most to be pitied after the collapse of the non-socialist coalition is undoubtedly the moderate party leader, Mr. Bohman. He has worked consistently to make the non-socialist alternative viable and, as economy Minister in the coalition, he can claim a large part of the credit for the improvement in Sweden's economic prospects over the past two years.

The 1978 budget forecasts have either been met or surpassed. Domestic consumption has declined, as anticipated, at the time of the krona devaluation in August 1977, but the expansion on the export side has exceeded even those forecasts which were being made as late as the spring of this year. The resulting improvement in the trade balance is currently estimated by the National Economic Research Institute to give a surplus this year of SKr 5.2bn ($1.2bn) compared with a budget prediction of SKr 1bn and last year's deficit of SKr 4.6bn. This represents an increase in export volume of 7.5 per cent against a decline of 5 per cent in the volume of imports.

This pattern will not be repeated next year. Although growth prospects remain good. The coalition government had already been talking of the need for some stimulus to the domestic market and the decline in imports of both consumption and investment goods will certainly be reversed in 1979 however the economic research institute believes exports will continue to advance next year by some 6.5 per cent and with export prices rises expected to outstrip increases in import prices it is forecasting a further trade surplus of around SKr 6bn. Higher debt repayments mean that the payments deficit would climb slightly again to some SKr 8bn after recovering this year to under SKr 7bn from last year's deficit of SKr 14.75bn.

This optimistic outlook is backed by the overall improvement in industry's export order books, which has been felt especially in the pulp, paper and board mills, the engineering and even the steel companies. A considerable member of these orders, particularly in the forest industry, have been met from accumulated stocks of unsold goods, but the effect of the greater demand is now starting to come through to the production lines. The latest business barometers also indicate that companies' interest in investment is slowly beginning to revive after the 17 per cent plunge in industrial investment recorded in 1977 and the somewhat lower rate of decline this year.

## Successful

The coalition Government was also successful in combating inflation. The consumer price index fell between July and August this year for the first time in over four years, while the increase in the index for the first eight months was under 7 per cent. As some 2.8 per cent of this rise was recorded in January, when rent and other price increases became effective, the current underlying trend must be considerably lower even than 7 per cent. However, the 1978 budget deficit will be as high as SKr 35bn, and the Finance Ministry has already warned that there is small chance of moving away from this level of deficit spending for three or four years to come. This remains, perhaps, the most doubtful immediate factor in the Swedish economic picture.



# Economy begins to turn the corner

FINLAND
Lance Keyworth
*Helsinki Correspondent*

AFTER THREE devaluations of the Finnmark, four so-called stimulation programmes and only two changes of government in the past 18 months or so, the expert forecasters began towards the end of summer to feel a little more confident about predicting an upturn in Finnish economic activity. Even then, they were slow to believe their senses and start to revise—economic indicators upwards after years of having to do the reverse. The economy has turned the corner, the depression is over.

This is not to say that everything in the garden is rosey. The main economic indicators underscore this point. The most persistent thorn is unemployment, now running at the high average annual rate of 7-8 per cent and unlikely to show much change in 1979. As many other countries have discovered, there is no ready solution to this problem. The growth of gross domestic product may be 2.5 per cent in 1978 and perhaps 3.5 per cent in 1979, though the latter estimate is viewed with some suspicion. Industry has plenty of spare capacity. Heavy corporate indebtedness, poor profitability, weak international competitiveness and the sluggish growth of domestic consumption do not encourage new investment.

The rate of inflation as measured by the consumer price index (1972=100) is expected to stay within the 8 per cent limit this year. The official forecast for 1979 is 8.5 per cent. But a new wage settlement is due by March when most of the present labour contracts run out. As wages plus wage-related costs are the biggest factor affecting inflation, there can be little certainty about what 1979 will bring until the terms of the new settlement are decided. If the employers get their way, this will be at the end of the year, but many unions are in favour of waiting until the end of February.

The year-to-year value of exports showed an increase of 13 per cent at the end of September: the growth of imports in the same period was 5 per cent. The rising trend of exports is, however, now expected to flatten out a little. Thus, there is no export-led boom in sight. In spite of this, the visible trade surplus will be well over FM 2bn (£260m) this year and the balance on current account could be FM 900m, which is a very handsome turn-round from the FM 8bn deficit in 1975, the first year of the depression for Finland.

## Optimism

On the whole, there is more certainty that the worst is over, more optimism, albeit cautious, both at the official and at the corporate level. The caution has its roots in two problems which have to be resolved in the coming four months. The first is economic, the new incomes settlement. The other is political, the outcome of the general election in mid-March. The two events are not unconnected. The employers want the wage bargaining out of the way before the election campaign begins in earnest in January, 1979, to obviate the intrusion of purely political issues.

The new wage settlement is of greater and more immediate importance to industry than the March election, if only because the result of the latter is more predictable. The unions and employers have agreed unofficially on two points so far: the new labour contracts will run for one year only, and no guidelines will be set in advance for wage increases. Both sides seem to desire a settlement at national level again, i.e., one in which the leading central federations on the two sides fix the range of increases in pay, social security benefits, etc. The Government will inevitably have to sit in on the negotiations in one way or another. The package that is stitched together on these occasions usually requires amending legislation by Parliament on social security, taxes, etc.

Wage and wage-related costs already due in 1979 under the old contract will add 4.3 per cent to the employers' wage bill, and wage drift will take this up to 7 per cent. This leaves little room for anything but a very moderate—the term moderate has still to be defined—increase in nominal wages if a new wave of inflation is to be avoided. Prime Minister Kalevi Sorsa and the Governor of the Bank of Finland, Mr. Mauno Koivisto, have both stressed this point to the unions. Although there has been no change in real earnings this year, the take-home pay of the wage-earner has risen 5 per cent thanks to the adjustment of income-tax scales for inflation: A further 8 per cent adjustment in tax scales will be made in 1979, and the target is again a 5 per cent increase in take-home pay.

However, the unions want guarantees against the erosion of inflation and are calling for an index linkage of wages with, say, the price index. To avoid the maze of index linkages that arose when the system was applied earlier, and which was swept away by the law abolishing all index ties except for pensions, the unions propose that wages be exempted from the provisions of the law when it comes up for renewal at the end of this year. This would place them in a most favourable position, which the employers and the non-socialist parties in Parliament cannot accept.

If recent history and the latest public opinion polls are anything to go by, the general election will produce little change in party strengths. The four large parties, Social Democrats, Centre and Communists in the Government and the Conservatives in opposition, may gain a seat or two from the five small parties, but not enough to create a significant change in their relative power. Seen from this point of time, it is also unlikely that there will be any major changes in the party make-up of the new coalition cabinet that must be appointed after the election.

On the other hand, a major constitutional reform proposed by the left-wing parties may complicate and prolong the long dance that is usually part of the ritual of government making in Finland. The left wants to remove or abolish the rule requiring a qualified majority for the urgent passage of certain bills, most of them economic in character. The left is adopting a "take it or we leave you" stand, while the non-socialists are determined to hang on to at least some of this safeguard written into the constitution.

It will ultimately amount to a question of settling priorities. Whatever form the new Government takes, it must get down immediately to nursing the convalescent economy. The four stimulation programmes introduced so far have not been enough. Mr. Sorsa has said that no further stimulative action can be taken until the new Government has been formed. Yet the serious unemployment situation can only be really relieved by encouraging the expansion of industrial production and investment.

# Battle for economic survival

## ICELAND

Jon Magnusson
Reykjavik Correspondent

ALL ECONOMIC and political indicators point to the fact that Iceland will once again retain its unenviable title as the "inflation champion" of Europe at the end of 1978. The present Left-wing Government, the third of its kind since Iceland's independence in 1944, is fighting for its political life and at this stage it is very difficult to predict whether it will survive into the New Year or not. The three parties which form the coalition Government are the middle-of-the-road Progressive Party, the Social Democrats and the Marxist-influenced People's Alliance. Iceland's largest party, the Liberal-Right Independence Party, is the sole opposition party for the time being.

The inflation rate in this small but fiercely independent-minded country is presently running about 50 to 55 per cent on consumer prices. The Government, which came to power last autumn after weeks of very deep political crisis, is trying hard to fight the inflation monster. It is having a difficult time, since it is not receiving the help necessary from the dominant trade union movement, which can virtually make and break governments. The making of this Government was what the Americans would describe as a "shotgun wedding" which means that the partners are not all that happy about each other and the mutual distrust both within the Cabinet and the Parliamentary majority is there for all to see.

### Power

When it came to power the Government—which is led by Mr. Olafur Johannesson, chairman of the Progressive Party, who was also Prime Minister during the ill-fated Left-wing Government of 1971 to 1974—issued a statement of co-operation, claiming that its main task would be to fight inflation and secure proper wages for all employees. The statement of co-operation is a short-term one, leaving out such touchy issues as the Keflavik military base and Iceland's membership of NATO.

The People's Alliance has for years demanded that Iceland leave the North Atlantic defence community and the American NATO force told to go packing. But the Alliance wanted so badly to get into power that it sacrificed this issue, at least for the time being, according to its leaders, who said that they had only one mission, to save Iceland's economy from completely collapsing.

If the Government survives into January, it will have to renegotiate its declaration of co-operation and formulate a long-term policy, which might carry it through the remainder of the four-year election term. The anti-NATO People's Alliance is on record as saying that it will, during the review of the co-operation negotiation, push for the ousting of the Americans, but nobody knows at present whether this is a threat or meant only to still the militant voices within the Party.

Mr. Benedikt Gröndal, Minister of Foreign Affairs and leader of the Social Democrats, is a very pro-NATO politician and has said all along that the Keflavik base and Iceland's membership in NATO will remain intact and if the Marxists don't like it, they can get out of the Government. The Prime Minister, Mr. Johannesson, has also pledged no change in Iceland's foreign policy. It is very likely that the three parties will continue to pledge status quo in this matter, but if the Marxists wanted to get out of the Government quickly, they could and would very likely use the NATO issue as an easy exit.

The Government stated initially that it would form an all-party Parliamentary committee to re-examine Iceland's security. The committee has yet to be established, but it is going to work rather like an international affairs institute similar to those already functioning in other Nordic countries. This committee, which is a brainchild of the Marxists, will come under the Prime Minister's Office, since the People's Alliance does not trust the U.S.-educated and pro-West Minister of Foreign Affairs.

But before the ill-at-ease coalition government gets to the NATO issues, it could very easily collapse over economic and inflation issues.

The government which was in power from 1974-78 could not cope with the inflation and received a shattering defeat at the polls in the last June Althing (Parliament) election. The main cause of the inflation has been the elaborate indexation apparatus which links almost everything to the cost of living index.

The Government has been trying to fiddle with the index in the past few weeks, by refusing or cutting down price increases on goods and services tied to the index. Its success so far is nothing to brag about and it will most probably lead to a 10-12 per cent wage increase on December 1, which again will lead to higher prices and increased costs causing the fishing industry to lose money and demand yet another devastating devaluation. This chain reaction will result in a devaluation some time in late January or early February, according to economists and banking sources.

The leadership of the Federation of Icelandic Labour and the Association of State and Municipal Employees, which is sympathetic to the Government, is trying to get individual unions to maintain their wage agreements unchanged for another year. But very few of them are heeding the call and some powerful unions like the Fishermen and Commercial Workers are on a war footing, threatening strikes in early 1979.

What visitors to Iceland find extremely strange is the fact that the economy of this small country is not all that bad. Government economists say that per capita Gross National Product will grow this year by 2 per cent; last year the improvement was 3.8 per cent. What makes this possible is first of all very good fishing, a direct result of the extension of the fishing limits to 200 miles, combined with conservation measures. Export prices have also remained good in most markets both in North America and Europe. The problem of distributing the export earnings within the economy remains as one of the key inflation factors.

Mr. Johannesson's main target for the time being is to bring inflation below 30 per cent and balance the budget over the next 13 months. This means heavier taxation in 1979, besides further cuts in public as well as Government spending. Major projects like construction of hydroelectric plants will be slowed or suspended. The more militant members of the coalition are also dead set against further borrowing abroad to maintain the present high living standard, but the foreign debt now stands at about $650m.

It is now evident that the public along with some union leaders are slowly turning against the Government, first of all because of heavy taxation and secondly because the constantly increased cost of living is hurting most households very badly. People are tired after coping daily for several years with unstable and increasing prices, taxes and incomes. The Icelandic community is strained and divided, because political as well as other interest groups compete constantly among themselves for bigger and bigger slices of the national cake.

There is gloom in the banking and business community and employers predict unemployment, now almost nil, among both commercial and industrial workers this winter. The Left-leaning leaders of the trade union movement keep very quiet at present, observing all Government movements and trying to figure out the public mood. The fisheries industry is in a bad shape because of ever-increasing wages and cost, and it is complaining bitterly over high interest rates. The discount rate now stands at 23.5 per cent, but a number of Government MPs are demanding higher interest rates in order to protect savings accounts against the 55 per cent inflation rate.

The Government is working on measures to revise the indexation system, the main cause for the inflation problem, but that can only be done in co-operation with the union leadership, which is not commenting just at present.

The Independence Party is badly split over internal leadership and policy matters. It is therefore not yet an effective opposition. Mr. Geir Hallgrimsson, the leader of the party and former Prime Minister, is having difficulty unifying his parliamentary group under his leadership, which has resulted in the fact that a large number of the party's supporters hope that the present Government survives for a few months more while the Independents get their own house in order.

Most Icelanders now fear that the political and economic winter in this Nordic country will be not only cold but also unusually dark. People are realising that inflation has finally penetrated to the very foundations of Icelandic society and is just about pushing the country over the brink of complete economic disaster.

# Problems ahead in election year

## AUSTRIA

Paul Lendvai
Vienna Corespondent

THE NARROW victory of the "anti-atom" coalition of disparate groups at the recent nuclear referendum in Austria has created a new political situation and a host of economic difficulties which will really be felt only in the mid-1980s. Some people hope, however, that after next year's general elections the political mood will change and the nuclear plant at Zwentendorf on the Danube will go on stream, albeit several years later than expected.

For the time being, however, Austrian economists and energy planners are having to reckon with growing costs of energy and thus a potential threat to Austria's international competitiveness. Meanwhile, all the problems, from alternative energy sources to the growing budgetary strains, are overshadowed by political manoeuvring. The next general elections are due in October, 1979 at the latest, and economic considerations are seen more and more in terms of political tactics.

The record-breaking growth rates of the past (between 1970 and 1978 the Austrian GNP expanded in real terms by 44.1 per cent—the third best performance in Western Europe) and the maintenance of full employment have also taken their toll in the form of large balance of trade and current account deficits on the one hand and a steady rise in the federal budget deficit on the other.

It is against this background that the package of restrictive fiscal and monetary measures, introduced by the Government in the autumn of 1977, must be seen. What are the main results so far? The current account deficit in January-September was reduced to Sch 11.6bn (about £420m) from Sch. 28.5bn in the same period last year. This was primarily due to the fall of the visible trade deficit in the same period from Sch 49.9bn to Sch 38.5bn and to an improvement on the services account. The better-than-expected performance of the crucial tourist industry (gross surplus from tourism up by Sch 4.2bn to Sch 27.3bn) and a higher than projected increase in exports, coupled with a fall in imports, provide the background to the brighter picture.

But just how bright is it in reality? The critics of the economic and monetary policy followed by Chancellor Kreisky's Socialist cabinet, in power since April 1970, complain that the Government is living and operating on borrowed time, as shown by the steady rise in indebtedness and in the servicing costs of the national debt. Thus debt repayment and interest account for Sch 35bn (Sch 30bn this year) of the draft budget deficit of Sch 50bn presented for 1979. The actual gross deficit this year (in Austria the budget year is identical with the calendar year) will be in any case about Sch 10bn higher than the voted figure, and many observers are sceptical whether the Finance Minister, Dr. Hannes Androsch, will be more successful in 1979, an electoral year. He hopes that the gross deficit will be the same as this year, while the net shortfall will be down from Sch 34bn in 1978 to Sch 30bn.

### Pressure

It is worth casting a glance at the past. Between 1961 and 1966, for example, the net deficit was merely 0.5 per cent, between 1967 and 1972 1.1 per cent, and by 1972-78 it was 3.3 per cent (on average) of GNP. Even assuming that expenditure in the next few years will not rise in real terms and that federal revenues will increase at least in ratio to the nominal expansion of the GNP, the overall indebtedness will nevertheless be up from 21 to 32 per cent of the GNP between 1977 and 1982.

Yet the Government, under the pressure of the Socialist-dominated unions, had to agree to a modest cut in income and wage tax, from January 1979, which without giving much tangible relief to the average taxpayer, will nevertheless cost the Treasury Sch 3bn in net terms. In the opinion of the unions, such occasional tax adjustments are crucial in order to stick to a moderate incomes policy. In view of the coming elections, the opposition People's Party also opted for political expediency rather than for economic common sense and welcomed the income tax cuts. Thus the Populists have missed a chance of increasing their credibility as a real alternative to the Socialists.

Meanwhile the Government is seeking to restrict expenditure through a reduction of subsidies on savings (cutting the rebates on federal and public bonds from 10 to 5 per cent) and also curbing subsidies to farmers. These measures and the upward revision of some postal rates and rail tariffs should help to reduce federal spending by Sch 6bn.

Another controversial area is the policy of maintaining a high exchange rate for the Austrian schilling. The fact that the link to the D-mark has weakened, albeit only to the extent of a 1 per cent downward adjustment, is regarded as a potentially significant effect.

Industrialists and export-orientated companies are pressing for what they call a more realistic exchange rate policy. Yet Austrian exports even to the U.S. did rather well during the first three quarters of this year.

The redeployment of capacity and labour is bound to be a long-term task. This is why the men in charge of the Federal Chamber of Economy, as representatives of the business community, are demanding an easing of the taxation burden and better promotion of industrial investment. More important than the Government's scheme of subsidised credits is, of course, the general economic and financial climate.

Austrian economic policy in the foreseeable future is faced with the difficult double task of maintaining a restrictive course in monetary and fiscal policy, while at the same time protecting full employment and stimulating investment designed to improve the industrial structure. While the growth of the GNP this year will be at 2 per cent, fractionally higher than the originally expected 1.5 per cent, it is nevertheless well below the average annual growth rate of 4.5 per cent for the 1964-77 period, the 5.2 per cent recorded in 1976 and the 4 per cent attained in 1977. Yet in terms of stabilisation, the fall in the rate of inflation is no less important: inflation is likely to be only 3.6 per cent this year instead of the originally projected 5 per cent. "We are Number Three in terms of stability in Europe," Minister Androsch claimed proudly in his recent budget speech.

A super boom on the pattern of 1968-74 could, of course, wipe out most of the budgetary and debt servicing problems. But, alas, Austria is part of the world economy and therefore no such boom can realistically be expected. Next year the economy will grow by 3 per cent (according to the Institute for Economic Research) but other estimates put the growth only at 1.6 per cent. Thus the increasingly serious problems can only be resolved through a painful, but unavoidable adjustment to economic realities.

# Some cracks show up

## SWITZERLAND

John Wicks
Zurich Correspondent

THE REST of the world always finds it hard to understand how the Swiss can seriously complain about his lot. The country seems not to suffer from the afflictions which visit mere mortals — Switzerland enjoys political stability, freedom from labour disputes, one of the highest per capital incomes of the world and near-zero inflation and unemployment. The expression of misgivings in the face of so much felicity tends to raise a wry smile in countries struggling with the vicissitudes of late 20th century society.

In fact, certain apprehensions about the future are not unjustified. There are sufficient indications that Switzerland in future may not have it quite as good as in the past. Not only are the days of burgeoning prosperity over, but some retrenching is also necessary. And no matter how well-heeled a country may be, the thought of becoming less prosperous is never an attractive one.

Most qualms being felt and expressed are related to the economy and its growth. Swiss business, oriented towards exporting goods and services, has for a generation or more gone from strength to strength; even the traumatic 1975 recession, the biggest setback since the war, had no really dramatic or long-lasting effects. For a number of reasons, there are now signs of a crack in the polished surface of success.

World markets for many traditional products are weak, while at the same time the astonishing appreciation of the national currency is making it increasingly hard and, already in many cases, impossible to sell abroad at anything like a profitable price in terms of Swiss francs. Labour is scarce — there are more situations vacant than unemployed — and expensive, while the building of such industrial installations as are still considered desirable in Switzerland is held up by lack of suitable sites and almost automatic opposition from environmentalists, as well as by the recruiting problem.

The authorities have been doing all they can to combat the serious over-valuation of the franc, which is particularly grave in that the otherwise strong Deutsche Mark has in recent months been weak in terms of the Swiss currency. Since the Federal Republic is the major trading partner and Switzerland's biggest competitor on world markets, the National Bank has now taken an absolute minimum of 80 centimes per DM as the reference point for its monetary policy. It remains to be seen to what extent the trade-weighted revaluation of the franc can be kept down by Government measures and the latest international agreements. There is an inherent danger of other countries over-estimating the economic potential of the Swiss and so forcing up the franc again.

### Suffering

Whatever the case, various sectors of the economy are suffering. The watch industry, an erstwhile spoilt child of prosperity, is faced with growing difficulties which are leading to increased short-time working, reduction of personnel and a trend to foreign-based production. Machine-building is still living in parts from orders still living in part from orders books are shrinking and more and more new contracts being concluded at unprofitable prices. Textiles and the clothing industry are suffering from the worldwide malaise of the sector, plus growing competition from weaker-currency areas. Tourism is hit badly by the rising franc; despite a near-freeze in franc prices since 1974, bednights by foreigners fell off in the first months of this summer season by 6 per cent over last year.

A partial offsetting of these difficulties is provided by the very low rate of inflation. This fell to an annual 0.4 per cent in October, the lowest level since the start of 1960, and looks like falling farther. The National Bank works to a stern low-interest policy, particularly in the face of a steep rise in money supply expected to average out at no less than 15 per cent for 1978. The apparent paradox of a sharp increase in money supply and a near-nil inflation is explained not only by the Government policies but also by the deflationary effects of falling import prices (due to the higher franc), the relatively sluggish market conditions and the fact that there is not much call for the increased liquidity of the banking system.

Despite this positive aspect, prospects for business are seen as uninspiring or even downright depressing. The Swiss Commercial and Industry Association ("Vorort") speaks of pressure on prices, cancellation of orders, growing competition on the home market from imports and losses of imports. Many small and medium-sized exporters are faced with "disaster," according to the Swissexport organisation. The Swiss Tourism Federation fears even lower profits and an even greater loss of competitive ability for the hotel business. All this against the backdrop of the franc which the Government says is still much too strong.

Should there be a rise in short-time working and actual unemployment, as is generally expected, this would not initially be much of a problem. Unemployment represents only about 0.3 per cent of the active population.

This could hardly fail to have an effect on labour relations. For many years now, Switzerland has been virtually free of strikes, partly because employees had no major reason to be dissatisfied and partly thanks to the principle of "peace agreements" forming part of key wage agreements. An economic setback could well strengthen the hand of more radical elements in the unions, however, some of whom are questioning the virtue of the peace-agreement system.

There would probably be repercussions, too, on the traditionally peaceful political scene. Otherwise, little is happening now in the field of party politics that points to landslides in one direction or another at next year's elections. There are indications that the Social Democrats, since the 1975 vote again the biggest single party, may be gaining some ground with the voters. But the Christian Democrats, Liberals and People's Party are hardly likely to experience a decline sufficient to alter the four-party coalition structure in power since the 50s and consisting of two Ministers each from the Social Democrats, the Liberals and the Christian Democrats and one from the People's Party. No doubt the coming months will see occasional threats from the leftists among the Socialists to leave the Coalition next time round and "find their soul," though a move in this direction seems more unlikely than probable. Also, the left wing of the Christian Democrats is showing itself more and more interested in teaming up on some aspects with the Social Democrats.

A real political crisis was avoided in September when a large majority of referendum voters approved the creation of the new canton of Jura and its secession from Canton Berne. A refusal would doubtless have given rise to unrest among the fiery Jurassiens. Unfortunately, remarks made by the secessionists after their triumph were both graceless and inflammatory, pointing to future violence to win over by force the southern Jura areas which had preferred to stay with Berne. Any outbreaks of this kind would result in considerable indignation throughout the country, especially in German-speaking areas.

Another result of the Jura referendum could be in the upgrading of Switzerland's six semi-cantons—Urban and Rural Basle, Obwalden, Nidwalden, and the two Appenzells—to full cantons. The two Basles in particular feel peeved that the little Jura should be a full canton—and thus, among other things, send two instead of one States Councillors to Berne and have its cantonal vote counted as one instead of a half—while they, with their much bigger populations are still only "semis." There would, of course, be a resultant change in the Federal Constitution and the make-up of Parliament

THE NAMIBIAN ELECTION

QUENTIN PEEL IN WINDHOEK

# A colonial African outpost on a knife edge

"IF THERE was one country in the whole continent of Africa that could have come to a peaceful solution, it was Namibia (South West Africa)," Dr. Lukas De Vries, the Leader of the Evangelical Lutheran Church, the largest in the territory, said. "But for the first time I don't speak about the peace of Bethlehem in my Christmas message this year. We are living in the reality of violence and bloodshed. This Christmas could be a Christmas of bloodshed and not of peace."

Twenty-four hours later, two bombs exploded among Christmas shoppers on the packed streets of Windhoek this Saturday. The violence previously confined to the far northern border of the territory had come to the capital.

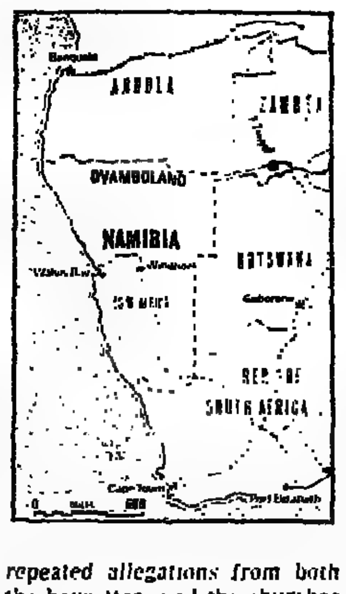
The same afternoon, at a mass election rally of Namibia's major conservative coalition, the Democratic Turnhalle Alliance (DTA), held in a muddy sports ground on the outskirts of the capital, two shots were fired which almost started a riot. It turned out that a black security man was shot by a white policemen when he pulled out his gun. Hours previously, on the road to the black township of Katutura, a political demonstration by supporters of the South West Africa People's Organisation (SWAPO), the biggest black nationalist movement, was borken up by police with batons.

Namibia, last colonial outpost in Africa, is suddenly living on a knife-edge. The immediate cause is the election called by the South African Administration of the territory in defence of the United Nations and the international community, boycotted by the major black nationalist groups and contested only by conservative groups and political eccentrics. The underlying cause is the power-struggle precipitated in a mineral-rich but sparsely populated country suddenly faced with the prospect of self-rule. The territory, as illogical a colonial contruction imposed on an ethnically diverse population as any in Africa, has been the scene of a low-intensity guerrilla war for more than 11 years. Yet its significance is much wider: it could yet prove the point of breakthrough towards a peaceful solution of the gathering racial conflict in southern Africa, or it could equally well be the cause of the final confrontation between entrenched white rule in South Africa and the international community.

South Africa's insistence on pressing ahead with its own elections in Nambia rather than agree immediately to a UN-supervised poll as proposed by the five western mmbrs of the UN Security Council could yet precipitate moves for some form of economic sanctions. While the Pretoria Government has not ruled out a UN election next year, it has refused to commit itself before consulting whatever "international leaders" emerge victorious in the present exercise. Yet it is very possible that its insistence on this first round of elections could of itself close the door on any further compromise.

In spite of, and indeed largely because of the international opposition, the South African administration is currently devoting its not inconsiderable resources to proving that the present election is a credible and valid exercise. Thus electoral officers have been drafted in from South Africa to man a comprehensive network of 375 polling units to visit more than 1,000 remote population centres. A huge registration exercise has already been carried out, resulting in a response of 92 per cent of the original estimate of some 440,000 eligible voters in the country.

In order to maximise the poll, it has been extended for five days, from today until Friday. Electoral officers may establish extra polling stations, or visit unscheduled stops with the mobile units, if they believe more voters may be reached. At the same time an unspecified number of additional South African soldiers have been drafted into the northern operational area, where almost half the Namibian population lives, in order to prevent "intimidation" by SWAPO guerrillas. Detailed and complex electoral regulations have been drawn up to ensure a secret ballot, and prevent double voting.




Yet it is not so much the detail, but the whole basis of the operation, which is questioned by opponents of the election. Bishop James Kauluma, head of the Anglican Church in the territory, says that "if argument is between the colonised and the colonisers, the only body which can enable the two parties to solve the problem is a neutral body." As one party to the conflict in the territory, the South African administration cannot be seen as an impartial supervisor, whatever precautions it takes. Because of this reasoning, three significant groups are refusing to take part in the campaign: SWAPO itself, the more moderate Namibia National Front, which includes the other major black nationalist movement, the South West Africa National Union (SWANU), and the group of SWAPO dissidents led by Mr. Andreas Shipanga, known as SWAPO Democrats.

However scrupulously conducted it might be, the election is thus a very one sided test of opinion. In fact there have been repeated allegations from both the boycotters and the churches of various degrees of "intimidation" by the authorities and supporters of the election to make people register for the poll. They include numerous, albeit unsubstantiated, allegations of voters being told they would cease to be citizens of Namibia if they failed to register, that without a registration card they would be unable to keep their jobs, obtain medical treatment or be paid pensions. For their part, the authorities claim that SWAPO is responsible for widespread intimidation both in the northern area, (where voters are said to have been warned they will be "dealt with" if they go to the polling stations).

If it were not for the underlying importance of the events in Namibia, the election campaign might have been something of a farce. Of the five participants, only two are serious political contenders: the DTA, based on ethnic organisations from 11 ethnic or tribal groups, and Aktur, largely based on the existing all-white National Party, sister of the ruling party in South Africa. Of the others, the Herstigte Nasionale Party represents the extreme racial purity exponents of the white community: the Christian Democratic Party is a handful of individuals propounding a philosophy of total free enterprise; and the Liberation Front is merely a small ethnic splinter group without any very clear programme at all.

The contest between the conservative DTA and the more conservative Aktur has degenerated largely into a slanging match between their white leaders, with little serious input about the future of the majority black and brown population. The whole exercise is somewhat complicated by the emphasis on race and tribalism, with the DTA travelling with a battery of interpreters to translate the campaign speeches into at least six different languages. At teh same time the DTA has been spending seemingly unlimited funds on a whole host of sophisticated and less sophisticated aids and trinkets, ranging from mobile closed circuit television studios (there is no national television in Namibia), to free T-shirts, shawls for traditionally dressed tribeswomen and cardboard sun visors, all emblazoned with the party emblem of a two-fingered peace sign. The whole operation gives the incongruous impression of the ballyhoo of an American election campaign transposed to the vast empty spaces of Africa.

The outcome of the whole exercise is in little doubt. Even if Aktur wins a majority of the white vote, the DTA will win an absolute majority of the 50-member Constituent Assembly to be elected. One question remains about the size of the turnout, although the uncertainty over total population figures means that any conclusion must be subject to a significant margin of error. The South African Government and the DTA clearly want a large turnout to prove the whole exercise worthwhile, and to enhance the position of the winning party either in any subsequent election, or if it eventually becomes an (unrecognised) Independence Government if no UN poll is held.

More important is just what the electoral victors will do about the possibility of a further UN-supervised election next year, which would include all the political parties, and carry the implication of subsequent international recognition for the victor. The South African Government has promised the western members of the Security Council to "use its best efforts to persuade them (the election winners) to consider ways and means of achieving international recognition."

DTA leaders have made it quite clear that they do not accept the present UN election plan, including up to 7,500 UN troops stationed in the operational area while all but 1,500 South African soldiers must withdraw. They complain that while the UN officially regards SWAPO as the "sole representative" of the Namibian people, its troops and officials are quite as partisan as those of South Africa. They also want UN observers on the Angolan side of the border to ensure there is no build up of SWAPO forces to take advantage of a South African withdrawal. In line with the South African Government, however, they insist that they are "keeping the door open" for a possible UN-supervised election, by expressing their continued willingness to negotiate.

Other observers are more sceptical. Dr. De Vries believes that the current exercise to win international credibility for this week's poll "makes it clear there will be no second election. South Africa is driving the thing to the point where it is impossible for SWAPO to take part." Mr. Reinhardt Rukoro, the information officer of the Namibia National Front, still believes South Africa will opt for a second election, even if Mr. Dirk Mudge, the DTA chairman, does not want one.

Clearly South Africa is actually doing what it has done throughout the negotiations with the western powers to find an agreed solution in Namibia: trying to keep open the parallel options of an international solution, and an internal solution if it finds the former based on unacceptable conditions.

As for an internal settlement, there are undoubted drawbacks. It will mean no end to the war, and the consequent drain on the South African Exchequer of keeping something approaching 20,000 men on the border. It could well mean an escalation of the war, with SWAPO seeking wider international suport. It is also likely to precipitate some form of economic sanctions, in spite of western unwillingness, if South Africa appears to be the offending party in a breakdown of negotiations. The DTA, as the likely government in an internal settlement, also has serious divisions which might develop once in power—particularly between black and white aspirations. Nor does it have any notable black leaders.

The advantages of an internal solution are still very real in South African eyes: the Republic will have gained an friendly and cooperative neighbour, rather than risking the possibility of a SWAPO victory, and hence another relatively radical neighbour. Moreover, Namibia would remain firmly within the South African economic sphere.

"SWAPO is a more frightening prospect for many businessmen than going it alone," according to Mr. Charles Truebody, the Director of Economic Affairs in Windhoek. The same thought is common in the white community here, and is probably shared by a majority of South Africa's ruling National Party. Already there are signs of nervousness in the white community in Namibia, with diamond dealers enjoying record sales as a form of insurance policy. "There is no new private investment of any kind taking place in the country at all," Mr. Truebody says.

As for SWAPO, the organisation is still backing the UN-sponsored elections, under the existing Waldheim Plan. If there is any question of that plan being renegotiated, however, Mr. Tjongarero says SWAPO will wish to be involved. There are pressures on SWAPO, too. The growing desire of President Agostinho Neto of Angola to stabilise his southern border, to prevent the UNITA geurrillas getting any logistical help from South Africa is one. The other front line African States are also likely to want a solution in Namibia, if only to stablise one part of the region, and help them concentrate on their internal problems. On the military front, SWAPO has not achieved any very notable successes.

Thus some conditions exist on both sides for accommodation, although as yet they are scarcely compelling. If they appear more persuasive outside Namibia, they look decidedly flimsy in Windhoek. Here the possibility of South African withdrawal is scarcely rated worthy of serious mention.

# Letters to the Editor

## Industrial muscle

*From Mr. R. Watts*

Sir,—Your leader of November 28 about the very serious pay situation which has developed in the civil service was almost as inaccurate as it was ill-advised but I shall confine myself to some of the major inexactitudes.

Civil service trades unions are not setting themselves targets of as much as 20 per cent or 30 per cent to re-establish their place in what they see as the pecking order. They are examining the report of the independent civil service pay research unit which factually analyses the rewards of comparable analogues outside the civil service. If that report provides evidence that the employers of these analogues have faithfully adhered to Government incomes policies there will be no case for civil service pay rises. As you report elsewhere however, the first rumours emerging from this elaborate and intensive job evaluation study suggest that during the so-called battle against inflation these analogues may not have played quite as patriotic a role as that forced upon the employees of the state.

You appear to favour some sort of return to the wages policies of the Victorian mill-owners. This may have enabled them to "make for productive efficiency" but in this day it is unlikely to prove a successful recipe for the smooth and efficient operation of government departments. The present formula for determining civil service pay was conceived by the Priestley Royal Commision to take the subject out of the political arena and to ensure that rates of pay were fair to civil servants, as employees, and to the public, as taxpayers. Failure to treat civil servants fairly could, in the long term, have grave consequences for the integrity and efficiency of the service. The civil service unions are beginning to learn the value of industrial muscle; they will prove to be able pupils.

You state that Prime Minister Callaghan was a civil servant before "comparability" was "a respectable idea." Wrong again! Civil service pay was determined in the 1930s under the "Tomlin" formula which said that it "should reflect what may be described as the long term trend, both in wage levels and in the economic condition of the country." In fact that is generally regarded as one of the earliest of many comparability formulae.

What you appear to be advocating is in fact a return to the "Anderson" formula of the early 1920s which can be summarised as recommending that "the standard of remuneration (of civil servants) should be such as will induce a continuous and sufficient flow of suitable candidates and keep them in an efficient state whilst in the service."

By that yardstick, Sir, the civil service is now in desperate need of very substantial pay increases. There are at present shortages of staff in many areas including almost all of the computer projects, driving and traffic examination units, executive staff, clerks, professionals, typists, messengers and paper-keepers, etc., etc.

R. S. Watts
*1 Knowes Road,*
*Newton Mearns,*
*Glasgow.*

## Comparability is a trap

*From the General Secretary,*
*Society of Civil and Public Servants*
*Executive and Directing Grades*

Sir,—Your leader "Comparability is a trap" (November 28) appears to be based on a mixture of monetarist prejudice and old-fashioned ignorance. In triumphantly concluding that "the only special case the Government should recognise is the need to raise pay where existing rates do not attract the men required," you presumably forget that this is precisely the case in the civil service, which is losing computer programmers almost as fast as it can train them: even your own argument makes the civil service a prime case for comparability.

You appear to suggest that fair comparison involves comparing civil servants' work with such different groups as policemen and firemen. This is, of course, not the case. As one of your labour correspondents explained on November 29 civil service jobs are compared with "outside staff employed on broadly comparable work": for executive grades, that means the common jobs in finance, personnel, computers, management services which feature in most firms. The only danger of leap-frogging is if comparable pay is not given to civil servants, then private sector executives will be paid salaries (and perks) far ahead of their counterparts in the civil and public services: as has actually happened in the last three and a-half years.

You also seem to venture on to the dangerous ground of prejudging the facts. The pay research unit is indeed collecting information about comparative job security, but you should beware the macro-economic presumption that "a regime of controlled credit growth and a strong exchange rate [is this Britain ?] reduces job security in the private sector": remembering the staff cuts in the civil service in the last few years, the balance of executive job security may not be in favour of the civil service. You are, of course, simply wrong in claiming that the true value of indexed pensions has risen in the last three years: as the value of inflation has fallen, the value of index-linking has fallen, as a number of your correspondents could have told you.

Gerry Gillman.
*124-130, Southwark Street, SE1.*

## Surveying the hazards

*From the Joint Chairman,*
*Aberdour and Dalgety Bay*
*Joint Action Group*

Sir,—In your feature on Scotland (November 27) when discussing chemical projects you mentioned the resistance which our communities are making to the siting of a marine gas loading terminal at Braefoot Bay on the shores of the Forth.

Listeners to the Dimbleby lecture on radio by Lord Rothschild will have heard his argument for a statistical approach to quantify risk rather than an emotional response to potentially hazardous developments. The health and safety executive used the safety and reliability directorate of the Atomic Energy Commission to prepare a statistical calculation of risk for the residents of Canvey Island from petrochemical development. Using the same statistical methods from the Canvey Island report, we have assessed the risk to life of the residents of Aberdour and Dalgety Bay from a terminal at Braefoot Bay. Our results show a risk of 1 in 1,500 of death per year. This is five times greater than the annual risk of death in a motor accident, which members of the public enter into voluntarily, and using Lord Rothschild's figures, make a nuclear development look relatively innocuous.

We have asked the Secretary of State for Scotland to have a statistical hazard survey for the Shell/Esso proposal carried out before he gives final planning approval. Could it be that he might find the result politically embarrassing?

R. M. Harris.
*The Cottage,*
*The Shore,*
*Aberdour, Fife.*

## Running pension schemes

*From the Chairman,*
*The Society of Pension Consultants*

Sir,—I should like to reinforce a point made by Mr. Eric Short in his article "Employees apathetic about running pension schemes" (November 22). I cannot claim extensive first-hand knowledge of the attitude of employees, but of one thing I am sure. The Government has re-affirmed on a number of occasions its intention to legislate on this matter, and it would be the greatest mistake not to take this seriously. The Society of Pension Consultants firmly believes in the value of member participation, but it also believes that any arrangements to this end should genuinely accord with the wishes of members themselves. Often, though not necessarily always, the best way of ensuring this will be by election, and there are various forms of procedure to suit the circumstances and wishes of those concerned.

It requires little knowledge of the structure of British industry to say that it is beyond question that the circumstances of particular firms, and the wishes of members of their pension schemes will be found to vary very greatly; and any attempt to lay down by legislation particular arrangements will inevitably fail in many cases to meet the wishes of the members of the scheme.

It is therefore of the utmost importance that employers should initiate discussions with members of their pension schemes and recognised trade unions to set up acceptable arrangements for member participation. The Government, as Mr. Short has said, has pledged that existing good participation arrangements have nothing to fear from legislation: and thus appropriate arangements if they are set up now, will both make a valuable contribution to the understanding and development of pension schemes and be likely to be secure from legislative interference. If this is not done, employers may well find that through inaction they have created a situation in which legislation, to which in all probability they will be strongly opposed, will be inevitable.

(Sir) Donald Sargent,
The Society of
Pension Consultants,
*Ludgate House,*
*Ludgate Circus, EC4.*

## Non-executive directors

*From Messrs. J. Chudley,*
*M. Rosenhead and E. Snelling*

Sir,—We most heartily second the headline of Lex (Nov. 30) in agreeing that there is no such thing as a "cure all" for the problems of company boards in this country (or indeed in any other). This does not however mean that the proper use of non-executive directors and audit committees is other than a step in the right direction, and one to be encouraged rather than denigrated.

What is acknowledged surely are the growing signs of professionalism among all directors which, in our view, can only come from having a governing body which is itself professional and makes serious efforts to define the profession and lay down standards for those who would practise it. There are many experienced and able men who think as we do, and believe that what is needed is for a sponsor to come forward to provide the means whereby they can get together and form the structure that is so badly needed.

John Chudley.
Martin Rosenhead.
Ernest Snelling.
Associated Non-Executive Directors
*Grosvenor Gardens House,*
*35/37 Grosvenor Gardens,*
*SW1.*

## High speed information

*From the Managing Director,*
*Therm-a-Stor*

Sir,—You may be interested to note that 13 days after the end of our financial year, the Price Commission sent our company a 48-page questionnaire containing approximately 1,000 detailed questions.

Fourteen days later we received a letter informing us that we had three days to complete the document.

As you know, in commerce speed of information must always be secondary to accuracy and one has cause to wonder first, just how cost-effective such surveys are if the respondents are not given sufficient time to give due consideration to their answers, and second, how high can the quality of decisions be when they are based upon the results of surveys conducted in this fashion?

John J. Morris,
*Therm-a-Stor,*
*Wadsworth Road,*
*Perivale, Middlesex.*

## Works of art and VAT

*From Mr H. Leggatt*

Sir,—Lord McCluskey, the Solicitor General for Scotland, seeks (Nov 30) to defend the Treasury's philistine policy of imposing value-added tax on works of art (with the exception of those exported) by merely reproducing the very speech he made in the House of Lords which was the subject of my original criticism (Nov. 24). In the meantime however Mr. George Levy (Nov. 27) has drawn attention to several fallacies in Lord McCluskey's argument which the Minister chose to ignore.

It is all very well for Lord McCluskey to claim that it is possible to "exaggerate the effect of VAT as a tax incentive to export works of art." But is this not analogous to the apocryphal story of the housemaid who said by way of excusing her newborn offspring "It's only a litti'un, ma'am?"

Hugh Leggatt,
*Leggatt Brothers,*
*30 St James's Street,*
*SW1*

# Today's Events

**GENERAL**

EEC Prime Ministers meet in Brussels at European Council for two-day discussion of European Monetary System.

NATO Defence Ministers meet in Brussels.

U.S. Commerce Secretary, Mrs. Juanita Kreps, in USSR until December 8 for trade talks.

Royal Smithfield Show opens, Earls Court.

Mr. Donald McHenry, U.S. diplomat, arrives in Salisbury, Rhodesia, for three-day talks.

West Africa Investment Forum, Dakar, opens (until (December 8) to inform European industrial firms about opportunities in 15 West African countries.

Sir Keith Joseph speaks at International Steel Trades Association lunch, London

Sir Derek Ezra, National Coal Board chairman, speaks at Coal Industry Society lunch, London.

International Design Engineering Show and Conference opened by Mr. Eric Varley, Industry Secretary, at National Exhibition Centre, Birmingham (until December 8).

Mr. Edward Heath, Sir Hugh Casson, and Prof. Michael Wise, president of the Geographical Union, speak at the Royal Geographical Society dinner, London.

Newspaper Society conference opens at Harrogate (until December 7).

**OFFICIAL STATISTICS**

U.K. Official reserves (November). Wholesale prices index (November provisional). Retails sales (October final). Capital issues and redemptions (during November). Public sector borrowing requirement and details of local authority borrowing (3rd quarter). Hire purchase and other instalment credit business (October).

**PARLIAMENTARY BUSINESS**

House of Commons: Motion on Public Accounts Committee 1977-1978. European Assembly Constituencies Orders.

Select committee—Education, Arts and Home Office sub-committee. Subject: Women and the penal system. Witnesses: National Association for Care and Resettlement of Offenders. Howard League for Penal Reform. 4.15 pm, Room 16.

**COMPANY RESULTS**

Final dividends: Davenports Brewery (Holdings). Interim dividends: Atkins Bros. (Hosiery). Bremner and Co. Matthew Hall. Kleen-E-Ze Holdings. Marshall (Halifax). Somic. Vinten Group. Interim figures: London and Overseas Freighters. Triefus and Co.

**COMPANY MEETINGS**

See Financial Diary on page 43.

# COMPANY NEWS

## Milletts Leisure planning to expand selling space

The prospectus is published today in connection with the offer for sale of 1,707,560 shares in Millets Leisure Shops at 110p each raising £1.88m. At this price Milletts would have a market capitalisation of £5.72m.

The issue is of just over 33 per cent of Milletts' equity, and around two-fifths of the shares on offer represent new money for the company.

At present Millett Leisure operates 88 shops. There are 150 other Milletts shops which are not part of this chain. The company sells a wide range of camping equipment, clothing and footwear, and around 40 per cent of sales are under its own brand name "Citizen."

Approximately 35 per cent of sales are imported goods and a year ago the company decided to open its own office in Hong Kong.

In recent years the number of shops has not changed dramatically but the company has concentrated on improving quality and resiting stores. In the year ended January 1974 the company operated 97 stores with an area of 138,000 sq ft. By the end of January 1979 the group will have 94 stores in operation with an area of 210,000 sq ft. The company is currently in the process of opening a number of new shops and has entered into an agreement with Black and Edgington for a joint operation in Scotland.

Milletts says it may open branches under the Citizen name. This would obviously give it scope in the future to open in towns which already have a rival Milletts shop owned by another member of the family.

Profits in the years 1973-74 to 1977-78 have expanded from £168,000 to £603,000 at the operating level, on sales up from £4.13m to £9.57m.

The directors are forecasting pre-tax profits for the current year ending January 1979 of not less than £1m on sales of over £12m. On a fully taxed basis earnings are 10.42p per share indicating a p/e of 10.55 and on the expected low tax charge earnings would be 18.23p and the p/e 6.03.

The directors expect to pay a dividend of 3.015p next July. If the company had been quoted for a full year the dividend would be 5.695p per share. The annualised yield is 7.7 per cent at 110p.

There has been a property revaluation taking the net asset backing up to 93p, before taking anything extra for the revluation of leasehold properties.

County Bank and W. I. Carr are handling the offer.

**• comment**

Milletts Leisure trades at the bottom end of the retail spectrum and looking at its record in recent years it has been able to sidestep the downturns in consumer spending. Admittedly Milletts has been expanding its selling area fairly rapidly over the past five years so the picture is somewhat distorted. However, it is probably true that when there are pressures on consumer spending there is a certain amount of trading down to cheaper lines. Milletts is involved in the leisure end of clothing plus camping equipment and it is branching out into sportswear—this should be the area to benefit in the current demand cycle. Trading margins are well up this year to over 8 per cent compared with the 5 to 5½ per cent plateau over the previous three years. This latest return is similar to that seen at Greenfield Milletts, the obivous comparable stock. Milletts' fully taxed p/e is similar to that of Greenfield, and both have substantial asset backing—Milletts is offered on a 15 per cent premium and Greenfield reckons it is selling at a discount if it had a revaluation. The one advantage that Milletts has is the above average yield and the freedom to boost it next year. The issue sebould be taken up—though it is a solid, rather than glamour stock—but the price is unlikely to tempt the stags.

Sir Rupert Speir, chairman of the Matthew Hall group, who is due today to announce interim figures. He is seen with prototype equipment being developed by Matthew Hall Services, Fire Protection Division. The Division provides design and installation services for a wide range of commercial and industrial fire protection and detection systems which form part of the mechanical and electrical building engineering services undertaken by the Mechanical Services Company.

## Albert Fisher to diversify

Having just been through a period in which there was a fall to a virtual break-even position, Mr. F. Hawtin, chairman of Albert Fisher Group feels that diversification should now be considered to reduce dependability on traditional fruit and vegetable trading.

In his annual report the chairman points out that although an almost totally unprofitable period has been experienced group finances remain sound and; "there is no cause for alarm on that score."

However, he finds it difficult to envisage what opportunities for growth there are likely to be in the fruit and vegetable trade at the present time. "Expectations for the immediate future should not exceed a fairly modest return on the exsting capital if disappointment is to be avoided."

Looking further ahead the chairman feels that it may now be constructive to give serious thought to a degree of diversification that would reduce the dependability on wholesale produce trading or its variations. When the steady profitability of the engineering subsidiaries is taken into account considerable incentive exists for a change of emphasis.

If such opportunities occur that would change the trading mix to any material extent, shareholders' approval will be sought.

As reported group pre-tax profits slumped from £86,872 for 1976-77 to £2,765 in the 15 months ended August 31, 1978.

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

**TODAY**

Interims—Atkins Brothers (Hosiery), Bremner, Matthew Hall, Kleen-E-Ze, *Marshalls (Halifax)*, *Sonic*, Vinten Group.

Finals—Davenports' Brewery, Swan Hunter.

**FUTURE DATES**

Interims—

| | |
|---|---|
| Armitage Shanks | Dec. 6 |
| Associated Tooling Industries | Dec. 7 |
| Cawoods | Dec. 7 |
| Dundonian | Dec. 8 |
| English Card Clothing | Dec. 6 |
| General Electric | Dec. 7 |
| Guthrie | Dec. 13 |
| Laurence Scott | Dec. 19 |
| Russell (Alexander) | Dec. 7 |
| Whitecroft | Dec. 11 |
| Wood (S. W.) | Dec. 14 |

Final—

| | |
|---|---|
| Rabit Precision | Dec. 12 |

### CJB TO BUY UDI

Constructors John Brown subsidiary of John Brown and Co., has completed negotiations for the acquisition of UDI, the Aberdeen-based underwater engineering company.

This move will utilise the services and products available from UDI to expand CJB's underwater contracting business, reinforcing its stated policy of expansion in subsea activities.

Most notable among the range of products in UDI is the "seabug," the seabed reliant vehicle which has been developed for inspection of underwater pipelines and structures. It is intended to develop this vehicle further for a range of inspection, maintenance and construction roles.

## Colonial Mutual discussing offer for Hampton Gold

BY JOHN BRENNAN

The Colonial Mutual Life Assurance Society is discussing a £7.8m takeover bid for Hampton Gold Mining Areas.

Colonial Mutual, one of Australia's biggest life assurance societies has acquired a 13.9 per cent share stake in Hampton from C.C.P. North Sea Associates for 150p a share, which move is subject to Exchange Control consents. And in the meantime, Colonial Mutual has approached Hampton, "to discuss the possibility of extending a general offer to all shareholders at the same price."

*Hampton, which draws its basic* income from Australian nickel mining royalties paid by Western Mining, is also a member of a number of North Sea oil drilling consortia and owns coal-mining and mining engineering businesses in Britain.

The group reported pre-tax profits of £508,000 to the end of March, 1978, when it forecast 1978-79 dividends of 3.5p a share net.

Hampton's shares have performed strongly in recent weeks on bid, and North Sea oil speculation. They closed last week at 140p, their "high" for the year.

## Nth. American Trust holds o'seas content

Mr. I. R. Guild, the chairman of Northern American Trust Company tells shareholders that the directors feel it wise, in view of the UK's current economic situation, to continue to hold a considerable proportion of investment overseas.

As at November 1, 1978, investments totalled £52.64m (£49.79m) of which £27.89m (£27.68m) were in the UK and £24.14m (£21.57m) were overseas. The chairman says the directors continue to maintain a wide distribution of assets; one-third of the overseas content are in the Far East, where despite the low immediate return, the group sees a much greater potential.

As reported on November 18 the group turned in net revenue of £1m (£948,389) for the year ended November 1. A final dividend of 1.85p lifts the total to 3.05p (2.85p).

Net assets came to £53.03m (£49.87m) with net current assets of £409,620 against £84,580. There was an increase in liquidity of £384,000 compared with a £321,000 decrease.

Meeting, Dundee, December 29 at noon.

## R. Jenkins below target

Though taxable profit was up from £348,000 to £528,000 for Robert Jenkins (Holdings) in the six months to September 30, 1978, the result was below the internal forecast.

The shortfall on projected performance by the group, which primarily designs, makes and installs process plant, came mainly in its manufacturing company Robert Jenkins and Co. This has been operating in what the directors regard as probably the most competitive market seen for many years, says Mr. A. Robert Jenkins, the chairman.

Looking to the remainder of the year the directors expect to secure a fair share of available work, but even so, the manufacturing time is such that it would be unlikely at this stage to have much effect on the current year's figures. Second half surplus, a little below the first six months level, is therefore anticipated, the chairman states.

Earnings per £1 share for the first half climbed to 23.4p (16.1p) and an interim dividend of 6.7p net is to be paid before Christmas.

The group's shares are traded in the market conducted by M. J. H. Nightingale and Co.

## FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times.

Rightwise (Section: Rubbers)

Wallace-Murray Corporation (Section: Overseas — New York)

## Hartley Ind concentrates on capital growth

THE policy this year has been to concentrate on capital growth, rather than dealing profit, says Mr. A. J. Lewis, the chairman of Hartley Industrial Trust, the Manchester-based property group, in his annual statement.

He adds that to this end the company has increased its reserves by more than £200,000. For the year ended March 31, 1978, they were £800,443 against £584,194.

The company has increased its property portfolio by buying two properties in Manchester, one in Preston and one in London.

*One of the Manchester properties* is a recently refurbished office block in the city centre, about one-third of which is occupied by Manchester Corporation. The second property there is an industrial warehouse, the main tenant of which is a bonded warehouse, says Mr. Lewis.

The Preston property is a fully let industrial estate with rents reviews for half the tenants falling in within 12 months of the company's purchase. The London property has been refurbished since purchase.

Mr. Lewis adds that the majority of the financing for these purchases was through long-term facilities. Particularly after the year-end, certain short-term borrowings have been refinanced as medium- and long-term funding.

The latest accounts show short- *and medium-term loans reduced* from £567,775 to £290,461, and long-term loans up from £87,445 to £373,301.

As reported on September 7 pre-tax profits for last year increased from £31,738 to £39,062. The dividend is 0.67p (0.66p) net.

The company is a subsidiary of Honeytree Trading Company and the ultimate holding company is Alcrafield.

Meeting, Manchester, December 21 at noon.

## Pending dividends

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

| | Date | Announcement last year |
|---|---|---|
| Associated Communictns. | Dec. 8 | Int. 2.772 |
| Associated Dairies | Dec. 14 | Int. 8.45 |
| BOC Intnl. | Dec. 21 | Final 1.795 |
| *Barlow Rand Group | Dec. 11 | Finals due |
| *Bass Charrington | Dec. 14 | Final 3.211 |
| Berisford (S. and W.) | Jan. 5 | Final 4.75 |
| Berry Wiggins | Oct. 6 | Final nil |
| *Borthwick (Thos.) | Dec. 12 | Final 3.5 |
| *British Sugar | Dec. 7 | Final 13.612 |
| Burton | Dec. 7 | Final 0.9 |
| Distillers | Dec. 15 | Int. 2.895 |
| Dobson Park Inds. | Dec. 15 | Final 1.239 |
| *Elliot (B.) | Dec. 29 | Int. 2.458 |
| *Genl. Electric | Dec. 7 | Int. 2.0 |
| Gt. Univ. Strs. | Dec. 8 | Int. 3.60375 |
| *Guinness (A.) | Dec. 15 | Final 4.687 |
| *Guthrie Corpn. | Dec. 13 | Int. 6 |
| *Hall (Matthew) | Dec. 4 | Int. 1.7606 |
| *Hanson Trust | Dec. 6 | Final 3.3397 |
| *IC Gas | Dec. 12 | Int. 4 |
| ICL | Dec. 13 | Final 4.625 |
| Johnson-Richards (H. and R.) | Dec. 19 | Int. 3.273 |
| *K Shoes | Dec. 8 | Final 1.6 |

| | Date | Announcement last year |
|---|---|---|
| *Lindustries | Dec. 11 | Int. [illegible] |
| Linfood | Dec. 20 | Int. 2.0 |
| *Lloyds and Scottish | Dec. 14 | Final [illegible] |
| *Lyons (J.) | Dec. 7 | Int. [illegible] |
| *MEPC | Dec. 14 | Final 1.7 |
| McCorquodale | Jan. 11 | Final [illegible] |
| *Meyer (Mont. L.) | Dec. 12 | Int. 1.7 |
| Norcros | Dec. 9 | Int. 1.6 |
| *Northn. Foods | Dec. 19 | Final [illegible] |
| *Pilkington Bros. | Dec. 6 | Int. 5.762 |
| *RHP | Dec. 12 | Final [illegible] |
| *Serck | Dec. 13 | Final [illegible] |
| Smith Inds. | Nov. 2 | Final [illegible] |
| Staflex Inds. | Nov. 9 | Int. nil |
| Std. Chartered Bank | Dec. 6 | Int. 7.75 |
| *Swan Hunter | Dec. 1 | Final [illegible] |
| Trafalgar House | Dec. 14 | Final 2.62 |
| Unigate | Dec. 15 | Int. [illegible] |
| Ward (T. W.) | Jan. 4 | Final [illegible] |
| Westland Aircraft | Jan. 5 | Final [illegible] |
| Wilkinson Match | Dec. 15 | Int. [illegible] |

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

## BASE LENDING RATES

| | |
|---|---|
| A.B.N. Bank | 12½% |
| Allied Irish Banks Ltd. | 12½% |
| American Express Bk. | 12½% |
| Amro Bank | 12½% |
| A P Bank Ltd. | 12½% |
| Henry Ansbacher | 12½% |
| Associates Cap. Corp. | 12½% |
| Banco de Bilbao | 12½% |
| Bank of Credit & Cmce. | 12½% |
| Bank of Cyprus | 12½% |
| Bank of N.S.W. | 12½% |
| Banque Belge Ltd. | 12½% |
| Banque du Rhone | 13 % |
| Barclays Bank | 12½% |
| Barnett Christie Ltd. | 13½% |
| Bremar Holdings Ltd. | 13½% |
| Brit. Bank of Mid. East | 12½% |
| ■ Brown Shipley | 12½% |
| Canada Perm't Trust | 12½% |
| Cayzer Ltd. | 12½% |
| Cedar Holdings | 12½% |
| ■ Charterhouse Japhet | 12½% |
| Choulartons | 12½% |
| C. E. Coates | 12½% |
| Consolidated Credits | 12½% |
| Co-operative Bank | *12½% |
| Corinthian Securities | 12½% |
| Credit Lyonnais | 12½% |
| Duncan Lawrie | 12½% |
| The Cyprus Popular Bk. | 12½% |
| Eagil Trust | 12½% |
| English Transcont. | 12½% |
| First Nat. Fin. Corp. | 14 % |
| First Nat. Secs. Ltd. | 14 % |
| ■ Antony Gibbs | 12½% |
| Greyhound Guaranty | 12½% |
| Grindlays Bank | 12½% |
| ■ Guinness Mahon | 12½% |
| ■ Hambros Bank | 12½% |
| ■ Hill Samuel | §12½% |
| † C. Hoare & Co. | †12½% |
| Julian S. Hodge | 13½% |
| Hongkong & Shanghai | 12½% |
| Industrial Bk. of Scot. | 12½% |
| Keyser Ullmann | 12½% |
| Knowsley & Co. Ltd. | 14½% |
| Lloyds Bank | 12½% |
| London Mercantile | 12½% |
| Edward Manson & Co. | 13 % |
| Midland Bank | 12½% |
| ■ Samuel Montagu | 12½% |
| ■ Morgan Grenfell | 12½% |
| National Westminster | 12½% |
| Norwich General Trust | 12½% |
| P. S. Refson & Co. | 12½% |
| Rossminster | 12½% |
| Royal Bk. Canada Trust | 12½% |
| Schlesinger Limited | 12½% |
| E. S. Schwab | 13½% |
| Security Trust Co. Ltd. | 13½% |
| Shenley Trust | 14 % |
| Standard Chartered | 12½% |
| Trade Dev. Bank | 12½% |
| Trustee Savings Bank | 12½% |
| Twentieth Century Bk. | 13½% |
| United Bank of Kuwait | 12½% |
| Whiteaway Laidlaw | 13 % |
| Williams & Glyn's | 12½% |
| Yorkshire Bank | 12½% |

■ Members of the Accepting Houses Committee.
* 7-day deposits [illegible], 1-month deposits [illegible].
† 7-day deposits on sums of [illegible] and under [illegible], up to [illegible] and over [illegible].
‡ Call deposits over [illegible].
§ Demand deposits [illegible].

## LOCAL AUTHORITY BOND TABLE

| Authority (telephone number in parentheses) | Annual gross interest | Interest payable | Minimum sum | Life of bond |
|---|---|---|---|---|
| | % | | £ | Year |
| Barnsley Metro. (0226 203232) | 12 | ½-year | 250 | 3-7 |
| Chorley (02572 5611) | 11¾ | ½-year | 1,000 | 5-7 |
| East Lindsey (0507 5801) | 12½ | ½-year | 2,000 | 3 |
| Knowsley (051 548 6555) | 12½ | ½-year | 1,000 | 6-10 |
| Manchester (061 236 3377) | 11 | ½-year | 500 | 3 |
| North Kesteven (0529 303241) | 12½ | ½-year | 1,000 | 5-7 |
| Poole (02013 5151) | 11¾ | ½-year | 500 | 2-3 |
| Poole (02013 5151) | 12½ | ½-year | 500 | 6-7 |
| Poole (02013 5151) | 12½ | ½-year | 500 | 5 |
| Redbridge (01-478 3020) | 11¾ | ½-year | 200 | 4-5 |
| Sefton (051 922 4040) | 12 | ½-year | 2,000 | 2-3 |
| Wrekin (0952 505051) | 12½ | yearly | 1,000 | 3-10 |

# INTERNATIONAL FINANCIAL AND COMPANY NEWS

## Sharp rise for Veba profits

By Jonathan Carr

BONN, Dec. 3.

VEBA GROUP net profits rose by 43 per cent to DM114m ($59m) in the nine months to September 30 against the same period of 1977—due particularly to a sharp cut in losses in the mineral oil sector.

An interim report from the energy concern, West Germany's largest private sector enterprise in turnover terms, said electricity, trading and transport divisions had also contributed to the improved result. But profits in the chemical sector were down.

The improvement on the oil front is expected to continue next year, if the restructuring implied by Veba's deal with Deutsche BP last June is allowed to go ahead. The Cartel Office has turned down the arrangement, but the Economics Minister can over-rule the decision.

Veba group sales in the first nine months were up by 11.7 per cent to DM22.4bn, a total which for the first time includes the sales of Chemische Werke Huels, of which Veba is now majority shareholder. Without those sales, the rate of increase against last year would have been 4.2 per cent.

Fixed asset investment was up sharply against the same period of 1977 — from DM825m to DM1.1bn. The single biggest reason was expenditure on construction of a large coal-fired power station in the Ruhr area.

## Dutch broker breaks links with NMB

DUTCH stockbroking firm Ingwerson en Co is to operate independently after spending the past eight years as part of the Nederlandsche Middenstandsbank Group (NMB) writes Charles Batchelor from Amsterdam.

Mr. C. C. P. Ingwerson, director of the company, repurchased the NMB shareholding after it became apparent that the interests of the two companies were not always compatible. Ingwerson en Co is a member of the Amsterdam Stock Exchange and it will continue as a public order member of the European Options Exchange.

The "long-standing good contacts" between NMB which is the fourth largest bank in Holland, and Ingwerson, will be maintained.

FIRESTONE AND BORG-WARNER

## Putting innovation back into mergers

BY JOHN WYLES IN NEW YORK

LAST TUESDAY morning, Mr. John Whitehead, one of the two senior partners of Goldman Sachs, the leading New York investment bank, flew to Chicago to talk to the board of "Bear Corporation." By early afternoon he was in Akron, Ohio, addressing the directors of "Fox Corporation." By 6 p.m. the two creatures had announced one of the most unexpected and most unusual mergers of this or any year.

There are now no prizes for guessing that Bear was Borg-Warner Corporation, and Fox was Firestone Tire and Rubber. But the use of these code-names in all preliminary documents associated with the merger was only one bizarre element in a union whose significance extends beyond the merely industrial into investment banking.

Certainly Goldman Sachs thinks so. Goldman believes that its role was not only highly unusual, but the merger terms which it framed have brought innovation back into investment banking. More usually, two companies negotiate a merger with the help of two investment banks; but Goldman's was a singular role, which originated last July when Goldman was asked through Hay Associates, a leading U.S. management consulting firm, if it would represent both companies by helping to consummate a merger agreed in principle.

The agreement had been settled between Mr. Richard Riley, Firestone's chairman, and Mr. James Bere, chairman and chief executive of Borg-Warner and, since January, 1977, a member of the Firestone Board.

Agreeing to merge is one thing, finding a financial formula acceptable to Boards of directors and shareholders is another. In this case, the task was immensely complicated by the sea of trouble surrounding Firestone.

Most of the deep water was caused by the near-certainty in late summer, which became a fact by November, that Firestone would either have to replace voluntarily up to 13.5m of its controversial "500" steel-belted radial tyres, or be forced by the Government to do so. The exercise would be very costly—the company has now created a reserve of $235m to cover the expense—and would compound difficulties already caused by plant closures and a highly competitive tyre market.

Thus the circle which Goldman had to square in their merger proposals was to leave Firestone shareholders at least as well off as they were pre-merger, with their $1.10 a year annual dividend, while compensating Borg-Warner stockholders for the clear and evident risk they would be taking in merging with a Firestone whose balance sheet and market prospects had been severely weakened by the "500" fiasco.

Eventually a package was produced which, Goldman claims, incorporates a novel use of convertible preferred stock in a merger agreement. The result is simple — Goldman uses the word "elegant" — that one wonders why it had never been thought of before.

Stockholders' gains come either from dividends or from capital appreciation, or both. Borg-Warner wanted to protect its shareholders against dilution, and therefore lower earnings per share and a lower rate of capital gain, which could result if stock in the new joint venture was issued on a pro rata basis. Borg-Warner has 21.5m shares outstanding, and Firestone 57.4m. Firestone wanted to ensure that its stockholders would have an incentive to vote for the merger, and also an opportunity to share in capital gain and higher earnings, once its present difficulties are overcome.

The resulting formula offers one line of protection to Borg-Warner shareholders, by giving them all of the initial common stock in the new joint venture, carrying an annual dividend of $2.00.

Further protection comes from the conversion formula, which links the rate at which Firestone stockholders may switch from preferred to common stock to the share price of the new holding company.

For each 15 per cent the holding company's price appreciates in stock market value, the rate of conversion of the preferred will rise from its starting base of 0.3 by 0.02 a year to 0.4 in five years. This formula prevents a rush to switch during a stock market boom; while holding out the prospect of an eventual share in the new company's hoped-for prosperity.

Meantime, the Firestone shareholder will receive $1.30 from his cumulative preferred, instead of his current $1.10 annual dividend, while holders of up to 40 per cent of Firestone common may opt for $16.00 debentures paying 10 per cent interest. But the Firestone shareholder is penalised under the formula for his company's current problems, both by the conversion rate on the preferred and by the fact that four preferred shares will be needed to match one vote of common stock.

Borg-Warner shareholders will also have an additional cushion against dark days at Firestone from the fact that the holding company will pay Firestone shareholders about $870m in securities against a book value of $1.5bn. The difference will be used for asset write-down and the establishment of a reserve whereby extraordinary losses at Firestone might be absorbed in the balance sheet but not in the profit and loss statement.

## State bids $4.5m for Kockums

BY WILLIAM DULLFORCE

STOCKHOLM, Dec. 3.

THE STATE has agreed to take over Kockums, the last of the big Swedish shipyards remaining in private ownership. The Government has made a SKr 20m ($4.5m) offer for the whole Kockums group, including the industrial companies and the shipping operations.

The board is recommending the offer to shareholders. It is equivalent to SKr 7 a share, which compares with the SKr 10 to SKr 11 a share, at which the Kockums stock was trading on the Stockholm Exchange, when dealings in the shares were suspended on November 6.

Mr. Rutger Martin-Loes, the Government-appointed negotiator, said that he had raised his original offer by SKr 1 a share, in order to obtain a smooth takeover with the co-operation of the shareholders, management and employees. A bankruptcy would have created anxiety among the 8,000 employees and the many small sub-contractors, who supply the Kockums group.

Kockums had total liabilities of SKr 5.4bn, of which the Swedish Government had already guaranteed credits amounting to SKr 3.4bn. Some SKr 1.8bn of these debts are owed to foreign banks and credit institutions.

No new audit has been made of the assets but in May Kockums auditors declined to approve the accounts on the grounds that the company had neither written down SKr 2.4bn in outstanding claims on ships delivered nor had it made any provision beyond planned depreciation for its part shares in 14 vessels built at its yard.

The claims would have to be written down by SKr 800m and the part shares by SKr 300m to conform with current market prices, the auditors then said. They added that, if the maximum risks were assumed, the asset write-down and loss provisions would have exhausted Kockums equity.

The company also assumed in the accounts presented to the AGM that the two LNG tankers it was building on its own account would be sold at prices which would at least cover the building costs. The company has not been able to find buyers for these vessels.

The State take-over excludes a small real estate subsidiary of Kockums which owns its office building at Malmo. The taxable value of this building is SKr 3.4m but a recent evaluation priced it at SKr 6.2m. The mortgage debt on the building exceeds SKr 4m.

The board will recommend the State offer to shareholders at an extraordinary general meeting on December 21. They are expected to accept. The take-over has to be approved by Parliament, probably in the middle of March. The Kockums shipyard will then be incorporated with Svenska Varv, the State shipbuilding company.

## Mannesmann puts $33m price tag on Tally

BY OUR FINANCIAL STAFF

A CASH offer worth some $33m is to be made for Tally Corporation of the U.S. by the major West German engineering and construction company, Mannesmann.

The deal, which has the full agreement of the Tally management, will give the German company a small but significant toehold in the American computer industry. Mannesmann already owns 31 per cent of the Tally equity and it plans to bid $14 a share for the balance.

Tally manufactures computer printers. Mannesmann is best known for its steel tube interests which in 1977 accounted for approximately 37 per cent of sales totalling DM 11.7bn ($6bn). The German group exports more than three-fifths of turnover.

Last month Mannesmann reported that for the first nine months of 1978 sales were running some 12 per cent ahead and that profits for the whole of this year would prove satisfactory. In 1977 profits declined for the second year running with net earnings down to DM 240m compared with DM 598m in 1975.

The improved performance this year is partly explained by a healthy export position. After nine months, 1978 export sales were around 30 per cent ahead of the similar period in 1977.

● Vereinigte Haftpflicht Versicherung, a West German mutual insurance company, is to purchase about 55 per cent of the 1.6m common shares outstanding of American Agency Financial Corporations, an insurance holding company. The West German company will pay $8m, or about $2.10 a share.

## Mitsubishi venture

By Ron Richardson

HONG KONG, Dec. 3.

MITSUBISHI TRUST and Banking Corporation and the National Bank of Australasia have formed a 50-50 joint venture—Australia-Japan International Finance—to operate as a finance house both domestically here and in the offshore market.

The company, which is registered under the Deposit Taking Companies Ordinance in Hong Kong, has paid-up capital of US$2m, augmented by a further US$18m of subordinated loans contributed by the shareholders.

## [illegible]NT ISSUES

### EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1978 High | 1978 Low | Stock | Closing Price | + or – | Div. | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 42½ | F.P. | 24/11 | 47 | 43 | Arncliffe Hldgs. | 44 | .. | 2.55 | 2.4 | 8.7 | 7.1 |
| A$0.50 | F.P. | — | 71 | 71 | Ashton Mining 50c | 71 | –5 | — | — | — | — |
| A$1.25 | F.P. | — | 1.6 | 1.0 | FitAust. Farming A$1 | 100 | .. | — | — | — | — |
| 29 | F.P. | 8.1 | 31 | 29 | Kitchen Queen 10p | 29 | .. | 1.34 | 3.4 | 6.9 | 4.8 |

### FIXED INTEREST STOCKS

[illegible]

### "RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

## Public Works Loan Board rates

Effective from December 2

| Years | Quota loans repaid by EIP† | Quota loans repaid At‡ | Quota loans repaid at maturity§ | Non-quota loans A* repaid by EIP† | Non-quota loans A* repaid At‡ | Non-quota loans A* repaid at maturity§ |
|---|---|---|---|---|---|---|
| Up to 5 | 12[illegible] | 12[illegible] | 13 | 13[illegible] | 13[illegible] | 13[illegible] |
| Over 5, up to 10 | 13 | 13[illegible] | 13[illegible] | 13[illegible] | 13[illegible] | 13[illegible] |
| Over 10, up to 15 | 13[illegible] | 13[illegible] | 13[illegible] | 13[illegible] | 13[illegible] | 13[illegible] |
| Over 15, up to 25 | 13[illegible] | 13[illegible] | 13[illegible] | 13[illegible] | 13[illegible] | 14 |
| Over 25 | 13[illegible] | 13[illegible] | 13[illegible] | 13[illegible] | 14 | 14 |

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.



# Currency, Money and Gold Markets

## U.S. may escape recession

BY COLIN MILLHAM

Fears of a recession in the U.S. during 1979 may be misplaced according to two leading American bankers. Mr. Donald C. Miller, vice chairman of Continental Illinois Corporation, speaking in Chicago last week, said that the risk of a recession is greater than at any time during the expansion, but there are a number of factors giving him confidence. Meanwhile in London last Tuesday Mr. Alvin V. Shoemaker, president of Blyth Eastman Dillon, said that if there is a recession it should not be too deep.

There was also a sign of increased confidence in the foreign exchange market last week. The dollar began the week well, boosted by the rise to 11¾ per cent in U.S. bank prime rates, and although it retreated on news that the October trade deficit was $2.13bn, compared with $1.69bn in September, there was evidence of increased resilience on Thursday and Friday.

Despite the trade figures the dollar finished the week at its firmest level, recording a particularly sharp gain in terms of the Japanese yen.

How long this situation will continue is in some doubt, but most of the major central banks seem happy at the moment. The dollar is generally expected to remain fairly steady until the end of this year, although opinions vary about its performance in 1979.

President Carter's dollar support package at the beginning of November was largely based on borrowing foreign currency, and encouraging other central banks to continue dollar support, on the basis that the U.S. was willing to play its part, by increased intervention from the Federal Reserve and moves to put the domestic economy in order.

This collective action by the central banks has been very successful, but is no more than a holding operation. If the trade deficit can be steadily reduced next year, and inflation is brought under control, the dollar will become strong once again without any help from the central banks. Controlling inflation means higher interest rates however, and prime rates may touch 13 per cent within the next few months. The tight rope between dollar recovery and recession will be a difficult one to walk, but at least there were signs of increased confidence in success last week.

### GOLD

| | Dec. 1 | Nov. 30 |
|---|---|---|
| Gold Bullion (fine ounce) | [illegible] | [illegible] |
| Close | [illegible] | [illegible] |
| Opening | [illegible] | [illegible] |
| Morning fixing | [illegible] | [illegible] |
| Afternoon fixing | [illegible] | [illegible] |
| Gold Coins domestically: Krugerrand | [illegible] | [illegible] |
| New Sovereigns | [illegible] | [illegible] |
| Old Sovereigns | [illegible] | [illegible] |
| Gold Coins internationally: Krugerrand | [illegible] | [illegible] |
| New Sovereigns | [illegible] | [illegible] |
| Old Sovereigns | [illegible] | [illegible] |
| $20 Eagles | [illegible] | [illegible] |
| $10 Eagles | [illegible] | [illegible] |
| $5 Eagles | [illegible] | [illegible] |

### CURRENCY RATES

| December 1 | Special Drawing Rights | European Unit of Account |
|---|---|---|
| Sterling | [illegible] | [illegible] |
| U.S. dollar | 1.26[illegible] | 1.38[illegible] |
| Canadian dollar | 1.47[illegible] | 1.52[illegible] |
| Austrian schilling | 17.[illegible] | 18.[illegible] |
| Belgian franc | [illegible] | [illegible] |
| Danish krone | [illegible] | 7.[illegible] |
| Deutsche Mark | 2.45[illegible] | 2.51[illegible] |
| Guilder | 2.64[illegible] | 2.73[illegible] |
| French franc | 5.43[illegible] | 5.[illegible] |
| Lira | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] |
| Norwegian krone | [illegible] | [illegible] |
| Peseta | [illegible] | [illegible] |
| Swedish krona | [illegible] | [illegible] |
| Swiss franc | [illegible] | [illegible] |

### THE DOLLAR SPOT

| December 1 | Day's spread | Close |
|---|---|---|
| Canad'n $* | 85.33-85.66 | 85.43-85.56 |
| Guilder | 2.0958-2.1065 | 2.1023-2.1043 |
| Belgian Fr | 30.53-30.65 | 30.62-30.64 |
| Danish Kr | 5.3515-5.4333 | 5.3875-5.3920 |
| D-Mark | 1.9318-1.9360 | 1.9353-1.9360 |
| Port. Esc | 47.00-47.28 | 47.05-47.20 |
| Span. Pta | 71.78-71.83 | 71.75-71.83 |
| Lira | [illegible] | [illegible] |
| Nrwgn. Kr | [illegible] | [illegible] |
| French Fr | [illegible] | [illegible] |
| Swedish Kr | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] |
| Austria Sch | [illegible] | [illegible] |
| Swiss Fr | [illegible] | [illegible] |

* U.S. cents per Canadian $.

### FORWARD AGAINST $

[illegible]

### THE POUND SPOT

| Dec. 1 | Bank rate % | Day's spread | Close |
|---|---|---|---|
| U.S. $ | 9½ | 1.9340-1.9480 | 1.9375-1.9385 |
| Canadian $ | 10¾ | 2.2555-2.2985 | 2.2850-2.2860 |
| Guilder | 6½ | 4.05½-4.08 | 4.07½-4.08½ |
| Belgian F. | 6 | 59.05-59.50 | 59.30-59.40 |
| Danish K. | 8 | 10.38-10.45 | 10.43½-10.44½ |
| D-Mark | 3 | 3.74-3.76 | 3.74½-3.75½ |
| Port. Esc. | 18 | 90.85-91.50 | 90.85-91.25 |
| Span. Pes. | 8 | 138.85-139.15 | 138.85-139.05 |
| Lira | 10½ | 1,648-1,654 | 1,652½-1,653½ |
| Nrwgn. K. | 7 | 9.95-10.00½ | 9.98½-10.00½ |
| French Fr. | 9½ | 8.62-8.62½ | 8.61½-8.62½ |
| Swedish Kr. | 6½ | 8.82-8.84½ | 8.83-8.84 |
| Yen | 3½ | 387-397 | 391-393 |
| Austria Sch. | 4½ | 27.45-27.55 | 27.45-27.50 |
| Swiss Fr. | 1 | 3.35½-3.38½ | 3.36½-3.37½ |

Belgian rate is for convertible francs. Financial franc 60.50-60.60.

### FORWARD AGAINST £

| Dec. 1 | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|
| U.S. $ | 0.38-0.28 c.pm | 2.04 | 1.15-1.05c.pm | 2.28 |
| Canadian $ | 0.75-0.65 c.pm | 3.71 | 1.90-1.80c.pm | 3.27 |
| Guilder | 1¼-1c.pm | 3.31 | 4½-3½ c.pm | 3.92 |
| Belgian F. | 25-15 c.pm | 4.04 | 60-40 c. pm | 3.54 |
| Danish K. | 1¼-3¼ ore dis | –2.87 | 4-6 ore dis | –1.92 |
| D-Mark | 3¼-2¼ pf pm | 8.80 | 9¼-8¼ pf pm | 9.33 |
| Port. Esc. | 60-165 c.dis | –10.99 | 180-520 c. dis | –10.66 |
| Span. Pes. | 70-140 c.dis | –9.08 | 240-340 c. dis | –8.34 |
| Lira | 5-6 lire dis | –3.26 | 8-11 lire dis | –2.29 |
| Nrwgn. K. | 2 ore pm-par | 1.20 | 5-3 ore pm | 1.60 |
| French Fr. | 4¼-3¼ c.pm | 5.57 | 10¼-8¼ c. pm | 4.64 |
| Swedish Kr. | 4½-2½ ore pm | 5.21 | 12¼-10¼ ore pm | 5.21 |
| Yen | 4.40-3.95y pm | 12.78 | 12.05-11.85y pm | 12.06 |
| Austria Sch. | 17-7 gro pm | 5.24 | 48-38 gro pm | 6.26 |
| Swiss Fr. | 4½-3½c.pm | 12.90 | 11¼-10¼ c. pm | 12.76 |

Six-month forward dollar 2.10-2.00c pm. 12-month 3.95-4.05c pm.

### OTHER MARKETS

| Dec. 1 | £ | $ | | Note Rates |
|---|---|---|---|---|
| Argentina Peso | 1.656-1.660 | 854.49-856.84 | Austria | 27-28 |
| Australia Dollar | 1.7105-1.7205 | 0.8842-0.8853 | Belgium | 60-61½ |
| Finland Markka | 7.57-7.88 | 4.066-4.068 | Denmark | 10.30-10.50 |
| Brazil Cruzeiro | 38.40-39.40 | 19.75-20.25 | France | 8.55-8.65 |
| Greek Drachma | 71.170-72.021 | 36.80-37.04 | Germany | 3.70-3.80 |
| Hong Kong Dollar | 9.3215-9.3315 | 4.8100-4.8150 | Italy | 1630-1700 |
| Iran Rial | 142.37-146.37 | 73-75 | Japan | 380-390 |
| Kuwait Dinar (KD) | 0.5337-0.5340 | 0.2754-0.2755 | Netherlands | 4.00-4.10 |
| Luxembourg Franc | 59.30-59.40 | 30.60-30.63 | Norway | 9.90-10.05 |
| Malaysia Dollar | 4.2780-4.2925 | 2.208-2.2110 | Portugal | 90-100 |
| New Zealand Dollar | 1.8550-1.8680 | 0.9578-0.9615 | Spain | 139½-143½ |
| Saudi Arabia Riyal | 6.51-6.55 | [illegible] | Switzerland | 3.34-3.44 |
| Singapore Dollar | 4.2850-4.2930 | 2.2110-2.2140 | United States | 1.9425-1.9525 |
| South African Rand | 1.6790-1.6890 | 0.8668-0.8679 | Yugoslavia | 41-43 |

Rate given for Argentina is free rate.

### EXCHANGE CROSS RATES

| Dec. 1 | Pound Sterling | U.S. Dollar | Deutschemark | Japanese Yen | French Franc | Swiss Franc | Dutch Guilder | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.938 | 3.750 | 392.0 | 8.618 | 3.370 | 4.078 | 1653 | 2.266 | 59.35 |
| U.S. Dollar | 0.516 | 1. | 1.935 | 202.3 | 4.447 | 1.739 | 2.104 | 852.9 | 1.169 | 30.62 |
| Deutsche mark | 0.267 | 0.517 | 1. | 104.5 | 2.298 | 0.899 | 1.087 | 440.8 | 0.604 | 15.83 |
| Japanese Yen 1,000 | 2.551 | 4.994 | 9.566 | 1000. | 21.98 | 8.597 | 10.40 | 4217 | 5.779 | 151.4 |
| French Franc 10 | 1.160 | 2.249 | 4.352 | 454.9 | 10. | 3.911 | 4.732 | 1918 | 2.629 | 68.87 |
| Swiss Franc | 0.297 | 0.575 | 1.113 | 116.3 | 2.557 | 1. | 1.210 | 490.5 | 0.672 | 17.61 |
| Dutch Guilder | 0.245 | 0.475 | 0.920 | 96.14 | 2.113 | 0.826 | 1. | 405.1 | 0.555 | 14.56 |
| Italian Lira 1,000 | 0.605 | 1.172 | 2.269 | 237.1 | 5.213 | 2.039 | 2.467 | 1000. | 1.371 | 35.90 |
| Canadian Dollar | 0.441 | 0.855 | 1.655 | 173.0 | 3.804 | 1.488 | 1.800 | 729.6 | 1. | 26.20 |
| Belgian Franc 100 | 1.685 | 3.265 | 6.318 | 660.5 | 14.52 | 5.678 | 6.870 | 2785 | 3.817 | 100. |

### MONEY RATES

#### NEW YORK

| | |
|---|---|
| Prime Rate | 11.25-11.5 |
| Fed Funds | 9.9375 |
| Treasury Bills (13-week) | 8.97 |
| Treasury Bills (26-week) | 9.21 |

#### GERMANY

| | |
|---|---|
| Discount Rate | 3 |
| Overnight | 3.50 |
| One month | 3.65 |
| Three months | 3.90 |
| Six months | 4.05 |

#### FRANCE

| | |
|---|---|
| Discount Rate | 9.5 |
| Overnight | 6.625 |
| One month | 6.75 |
| Three months | 6.8125 |
| Six months | 7.125 |

#### JAPAN

| | |
|---|---|
| Discount Rate | 3.5 |
| Call (Unconditional) | 4.375 |
| Bills Discount Rate | 4.625 |

### LONDON MONEY RATES

| Dec. 1 1978 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount market deposit | Treasury Bills | Eligible Bank Bills | Fine Trade Bills |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 3-12 | [illegible] | — | — | 11¾-12 | 7-11¾ | — | — | — |
| 2 days notice | — | — | 11[illegible] | — | — | 11¾-12 | — | — | — | — |
| 7 days or 7 days notice | — | 11¾-12 | 11[illegible]-12 | — | 12[illegible]-12[illegible] | — | 11[illegible]-11[illegible] | — | — | — |
| One month | 12[illegible]-12 | 11[illegible]-12[illegible] | [illegible] | 12½-13 | 12[illegible]-12[illegible] | 12¼ | 11[illegible] | 11[illegible]-11[illegible] | 12[illegible]-12[illegible] | 12¼ |
| Two months | 12[illegible]-12[illegible] | 12[illegible]-12¼ | — | 12[illegible]-12½ | 12[illegible]-12[illegible] | 12[illegible] | 11[illegible] | 11[illegible]-11[illegible] | [illegible] | [illegible] |
| Three months | 12[illegible]-12[illegible] | 12[illegible]-12[illegible] | 12[illegible] | 11[illegible]-12[illegible] | 12[illegible] | — | 11[illegible] | 11 | 12 | [illegible] |
| Six months | 11[illegible]-11[illegible] | 11[illegible]-12[illegible] | 11[illegible] | 11½-12 | 12[illegible]-12[illegible] | — | — | — | 11[illegible]-11[illegible] | 13 |
| Nine months | 11[illegible]-11[illegible] | 11[illegible]-11[illegible] | — | 11¾-12[illegible] | 12[illegible]-12[illegible] | — | — | — | — | — |
| One year | 11[illegible]-11[illegible] | 11¾-11[illegible] | 11[illegible] | 11[illegible]-12[illegible] | 12[illegible]-12[illegible] | — | — | — | — | — |
| Two years | — | — | 12[illegible]-12[illegible] | — | — | — | — | — | — | — |

Local authority and finance houses seven days' notice, others seven days' fixed. *Longer-term local authority mortgage rates nominally three years 12[illegible]-12[illegible] per cent; four years 12[illegible] per cent; five years 12[illegible]-12[illegible] per cent. ◊Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 11[illegible]-11[illegible] per cent; four-month trade bills 12[illegible] per cent.

Approximate selling rates for one-month Treasury bills 11[illegible] per cent; and two-month 11[illegible] per cent; three-month 11[illegible] per cent. Approximate selling rate for one-month bank bills 11[illegible]-12 per cent; two-month 11[illegible]-12 per cent; and three-month 11[illegible] per cent; one-month trade bills 12[illegible] per cent; two months 12[illegible] per cent; and also three-month 12[illegible] per cent.

Finance House Base Rates (published by the Finance House Association) 11[illegible] per cent from December 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Base Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.3680 per cent.

# MINING

## Dr Wise follows diamond trail

BY LODESTAR

FRIDAY'S flicker of revived interest in the shares of the Australian diamond seekers presents an opportune moment to have a look at one of them that has been working up a London following, North West Mining.

Interest has seemingly been stimulated by the company's ability to attract farm-ins for some of its search areas from the "big boys."

Nevertheless, the most important prospect to date is reckoned to be that shared 50-50 with fellow junior explorer Haoma Gold in what chairman Dr. Ron Wise describes as the "hot" Ellendale area of Western Australia's Kimberley region, where the partnership claims to have three temporary reserves covering about 500 square kilometres "adjoining and on strike with" the Ashton diamond discoveries.

In addition, the two companies have pegged more than 300 mineral claims of 300 acres each in the same region, part of which is joint ventured with London's Selection Trust, which can earn up to a 60 per cent interest, and part with Aberfoyle, which is controlled by the Canadian mining house Cominco.

Dr. Wise is hoping to be able to give some favourable news about these areas at North West's annual meeting in Perth on Wednesday.

The company has other ground in the east Kimberleys in the area, where the Ashton consortium has located kimberlite pipes and is also following that group into the Pilbara where negotiations, Dr. Wise says, are under way for a large tract of ground.

North West Mining is not letting the diamond fever swamp its exploration activities in other directions, including that for base-metals in which it has Esso as a partner and that for oil and gas in the onshore Perth basin.

The company has about A$0.8m (£0.47m) in the kitty. Whether North West will be successful ultimately in any of its various ventures remains to be seen, but at least the management can be given full marks for genuine endeavour.

In London on Friday, the shares participated in that day's revived market activity with a gain of 5p to 28p. They reached 30p in the previous diamond inspired uprush.

* * *

Call option business in the shares of South Africa's Loraine Gold has prompted inquiries as to what the attraction is. The only apparent answer is the hope of a higher gold price and a much higher one at that as costs at this Anglo-Transvaal group mine have been running at about $213 an ounce.

Resultantly, it was only the drawing of state assistance that kept the company out of the red in the year to September.

There must, indeed, be a question mark over the life prospect unless the bullion price once again goes into orbit. As a marginal mine the shares, of course, can be very responsive to any sharp upward movement in that price although they tend to move less fast than some others in the same category owing to the number of them (16.36m) in issue. No dividend has been paid since 1975 nor is one in prospect.

Perhaps the chairman has something bullish up his sleeve for the annual report which should be coming along this month. Loraine stand in London at about their low for the year, 37p.

* * *

There have also been inquiries about Welkom, inspired, I gather, by a story from Johannesburg that the mine is entering an expansionary phase prompted by an advertisement to this effect for trainee staff.

But, a correspondent reports, the company has denied having any plans to raise mill throughput although there is the prospect that the Anglo American group's joint metallurgical plant for the production of gold, uranium and acid will be bringing Welkom some worthwhile extra-revenue in the year to next September.

The only other prospect that might come into sight eventually is that the mine could have its facilities included in any scheme that the Anglo group may have for exploiting the gold-uranium possibilities of farms Erfdeel and Dankbaarheid which have been extensively explored by drilling.

Meanwhile, it is to be hoped that in this month's annual report the chairman will see fit to comment on what the advertisement was intended to mean. Unless there is a prospect of further pay ground being brought in to the east of the present property, Welkom's life is generally estimated to be less than 10 years.

* * *

For those who fancy an interest in gold but want to steer clear of South Africa, brokers Grieveson, Grant suggest America's Newmont Mining, mostly known for its copper and coal interests. But, the firm points out, it has a substantial stake in gold through the Carlin mine in Nevada and 70 per cent of Western Australia's Telfer mine, both open-pit operations.

Thus, the brokers conclude, Newmont has a wide spread of mining interests, is currently making good profits from gold, has a recovery to come in coal and copper and owns a substantial investment portfolio. So, "we consider its shares are among the most attractive of the diversified U.S. mining companies."

# INSURANCE

## Long tail liability needs watching

BY OUR INSURANCE CORRESPONDENT

OVER RECENT years insurers have grown accustomed to the continual elongation of long tail liability for injury. It is now very difficult for anyone to say positively where the statutory limitation fences stand in respect of any particular incident, particularly when it is not appreciated at the time that there has even been an incident.

From the victim's angle, this is fair enough, for, if the physical consequences, say, of subjection to a modern industrial process do not emerge for a decade or perhaps longer, it must be unreasonable to say that the victim is precluded from claiming compensation because the statutory period has run out if this counted from the subsequently proven date of injury, as distinct from the date of discovery of the consequences.

### Discovery

Nowadays, with injury liability it is the date of discovery of the victim's awareness of what has happened, even of the victim's full appreciation of his legal rights, that sets the limitation clock in motion.

Insurers and reinsurers have to gauge their premiums accordingly in the full knowledge that the future task of back-tracking over long-forgotten events, of finding the people then involved to provide evidence, will at least be daunting and, at the worst, impossible.

Different rules apply where the victim's claim is solely for property damage or financial loss not associated with physical injury, partly on the ground presumably that such damage or loss quickly becomes apparent. Whatever the reason, the limitation laws relating to damage and financial loss have not been made similarly open-ended.

But perhaps judicial intervention is begining to do for non-injury claims what statute has done for injury compensation. My attention was drawn last week by an article in Accountants Weekly to a decision of Oliver J. in *Midland Bank Trust Company v Hett, Stubbs and Kemp*—a decision reported last December in The Times.

Briefly the facts: in March 1961 a farm owner gave his tenant an option to purchase, exerciseable inside 10 years. The defendant solicitors drew up the agreement, but failed to register it straight away.

In August 1967, more than six years from the grant of the

In September 1967, the defendant solicitors registered the option. In 1972, the tenant began an action against the solicitors who asserted the claim was time-barred six years after the original omission to register in 1961.

### Omission

Ironically, by the time the action came before Mr. Justice Oliver the farmer the tenant and the solicitor concerned were all dead, and the action was run for the benefit of the tenant's estate against the deceased solicitor's firm.

option, the owner sold the farm to his wife.

Oliver J. decided that following the granting of the option, the solicitor's duty was to register it before any third party got an interest in the land: the breach of duty being an omission, there was no cause of action until some event occurred to preclude the solicitor from carrying out his duty. The six-year limitation period began to run, therefore, from August 1967 and the action, started in 1972, was in time.

How valid is this distinction between a sin of commission and a sin of omission?

There was no appeal against the judgment, but it is a view expressed by a judge of first instance, and, in the absence of any affirmative ruling by an appeal court, it would be open for another judge of first instance trying a claim for omission to take an opposite view.

As the decision stands, it appears to open the way to claims against all manner of professional men for omissions, perhaps many years after their retirement and even after death.

### Professional

This is an aspect that all professionals, whether individual or partnerships must now watch carefully when their policies come round for renewal, because most professional policies provide cover on the basis of claims made during the insurance year as distinct from liability or events occurring during that year.

So year-by-year insurance must be arranged specifically to pick up claims now arising, so to speak, from long tail omissions. The problem for insurers, as ever, is how to quantify this apparent increased liability in terms of premium.

# WORLD STOCK MARKETS

## Indices

### NEW YORK—DOW JONES

| | Dec. 1 | Nov. 30 | Nov. 29 | Nov. 28 | Nov. 27 | Nov. 24 | 1978 High | 1978 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| ◆Industrials | 811.42 | 799.03 | 790.11 | 804.14 | 813.84 | 810.12 | 907.74 (8/9) | 742.12 (22/2) | 1051.70 (11/1/73) | 41.22 (2/7/32) |
| H'meB'nds* | 86.25 | 86.41 | 86.44 | 86.50 | 86.71 | 86.98 | 90.86 (4/1) | 86.12 (13/11) | — | — |
| Transport.... | 216.60 | 212.56 | 208.71 | 211.87 | 215.04 | 214.90 | 261.48 (8/9) | 199.31 (9/1) | 279.88 (7/2/69) | 12.23 (8/7/32) |
| Utilities .... | 99.97 | 99.56 | 99.26 | 98.90 | 99.73 | 99.51 | [illegible] (3/1) | 98.55 (14/11) | 165.32 (20/4/69) | 10.58 (28/4/42) |
| Trading vol. 000's | 26,820 | 19,920 | 21,180 | 22,740 | 19,790 | 14,580 | — | — | — | — |

* Basis of index changed from Aug. 24 ◆ Day's high 815.06 low 801.58

| | Nov. 24 | Nov. 17 | Nov. 10 | (Year ago approx.) |
|---|---|---|---|---|
| Ind. div. yield % | 5.83 | 5.90 | 5.90 | 5.40 |

### STANDARD AND POORS

| | Dec. 1 | Nov. 30 | Nov. 29 | Nov. 28 | Nov. 27 | Nov. 24 | 1978 High | 1978 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 106.96 | 105.16 | 104.01 | 105.54 | 106.67 | 106.59 | 118.71 (12/9) | 95.52 (6/3) | 134.64 (11/1/73) | 3.55 (30/6/32) |
| Composite | 96.28 | 94.70 | 93.75 | 95.15 | 95.99 | 95.79 | 106.88 (12/9) | 86.90 (6/3) | 125.85 (11/1/63) | 4.40 (1/6/32) |

| | Nov. 29 | Nov. 22 | Nov. 15 | Year ago (approx.) |
|---|---|---|---|---|
| Ind. div. yield % | 5.23 | 5.12 | 5.27 | 4.84 |
| Ind. P/E Ratio | 8.73 | 8.90 | 8.54 | 9.35 |
| Long Gov. Bond yield | 8.75 | 8.67 | 8.56 | 7.77 |

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO Composite

JOHANNESBURG

FRIDAY'S ACTIVE STOCKS

## EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN

TOKYO

COPENHAGEN

VIENNA

STOCKHOLM

BRAZIL

GERMANY

SWITZERLAND

JOHANNESBURG

MILAN

OSLO

AUSTRALIA

TEL AVIV

PARIS

## WALL STREET

### NEW YORK

## CANADA

# INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS BY FRANCIS GHILES

## Norsk Hydro's toe in the water

ONE of the best quality borrowers in the Eurobond market, Norsk Hydro, decided last week to re-open the dollar sector. It announced a bond offering of $50m for 15 years with an indicated coupon of 9¼ per cent.

Initial reaction from bankers was that while the proposed terms of the issue did match the yields presently available on the outstanding Norsk Hydro paper, they were not generous enough to make a success of the first straight dollar bond in over two months.

So strong was this initial feeling that it led four banks which had participated in the management group of the previous Norsk Hydro bond to drop out: Deutsche Bank, Credit Suisse, First Boston, Paribas and Swiss Bank Corporation. They were replaced in the management group for the new issue by Banque Bruxelles Lambert, Salomon Brothers, Commerzbank, Den norske Creditbank. Amsterdam Rotterdam Bank has remained in the management group and the lead manager, Hambros, is unchanged.

Bankers are hoping that the Norsk Hydro paper will be securely placed because, with the cost of funds averaging between 11¼ per cent and 12 per cent, professional houses will not be able to carry the paper and the price in the secondary market will drop accordingly. The issue is expected to be priced tomorrow.

Towards the end of the week, various underwriters of this issue confirmed that demand was picking up and was proving better than most of them had anticipated. When the issue was announced, one of the main questions concerned its long maturity. Initial evidence suggests that there are now investors willing to lock up funds in the long-term if the name and coupon are right.

The long end of the market remains an unchartered area but the increasing interest in it shown by institutions appears to be explained by one major fact. They have, until recently, been matching their long-term liabilities with short-term, high yielding, investments. Now they are starting to invest longer again.

While uncertainties remain, and while U.S. interest rates are acknowledged not yet to have peaked out, these investors appear prepared to start betting, albeit cautiously, on a firmer dollar. This assessment, if it proves correct, could bring substantial capital gains in a year or so.

*Two floating rate notes, one for* Nippon Credit Bank Finance NV, the other for Privedna Banka of Zagreb, were the only other new dollar issues announced last week.

Prices in the dollar secondary market were mixed with more issues moving up than down. Those which improved put on an average of one half to three quarters of a point. A worse than expected U.S. trade deficit *for October and news that the* inflation rate across the Atlantic was heading for the 10 per cent mark where not seen as major hurdles by the market. They were offset by some good news too, in the form of unexpectedly good U.S. money supply figures and a steady dollar.

Prices moved up Friday but the level of trading remained thin throughout the week with most activity of a professional nature.

There are strong indications that the first tranche of "Carter Bonds" — U.S. Government securities denominated in Swiss francs, D-Marks and Yen—will be launched into the West German market this week. By the weekend, Treasury officials had become increasingly secretive about the plans for these issues, saying only that final decisions had yet to be taken. Sources in the U.S. Treasury did indicate, however, that the Swiss franc and D-Mark issues would not be underwritten or syndicated and *that the selling agents would* probably be the Swiss and West German central banks. It is clear that securities of short *maturity will be issued to raise* the bulk of the funds desired by the U.S. Government.

Activity in the Deutsche Mark sector was lower last week than the week before. The major talking points of the week were the generous coupons proposed by Dutsche Bank for the Oesterreichische Kontrollbank and for the Republic of Brazil. The indicated coupon of 6½ per cent for the Austrian borrower could be explained by the desire of the lead manager to ensure a very good reception for what is the first public issue for this borrower; *in the case of Brazil, the* search is on for investors not already handsomely furnished with Brazilian paper.

*The level of the coupon on* the Austrian issue took other German banks by surprise. After all, only two weeks before the DM400m for the World Bank, a high quality name—but one which has already been issued in abundance—had offered a 6¼ per cent coupon for an identical maturity of ten years.

D-Mark convertible bonds to be issued by Japanese concerns in the first quarter of 1979

| BORROWERS | (DM'000,000) | LEAD MANAGERS |
|---|---|---|
| Honda Motor | 100 | Deutsche Bank |
| Tokyu Land | 70 | BHF Bank, IBJ-Lux Yamaichi |
| Aoki Construction | 40 | West LB Nomura |
| Sankyo Electric | 50 | Bayerische Verein Daiwa |
| Minolta Camera | 70 | West LB, Daiwa |
| Kansai Electric | 200 | Dresdner Bank, Nomura |
| Orient Finance | 50 | Commerzbank, Nomura |
| Dai Nippon Screen | 35 | Bayerische Verein., Nomura |
| Chujitsu-ya | 70 | Bayerische Verein, Nomura |
| Nippon Min. Bearing | 40 | Bayerische Verein, Daiwa |
| Nichiei Company | 30 | Bayerische Verein, Yamaichi |
| Nichii | 80 | Deutsche Bank, Nomura |
| Total | 945 | |

BONDTRADE INDEX AND YIELD

| | December 1 | | November 24 | | 1978 High | 1978 Low |
|---|---|---|---|---|---|---|
| Medium term ... | 96.22 | 8.47 | 96.18 | 8.47 | 98.82 (19/4) | 94.72 (30/10) |
| Long term ... | 90.75 | 9.20 | 90.85 | 9.17 | 94.67 (19/4) | 89.85 (30/10) |

EUROBOND TURNOVER (nominal value in $m)

| | U.S. dollar bonds last week | U.S. dollar bonds previous week | Other bonds last week | Other bonds previous week |
|---|---|---|---|---|
| Euroclear | 1,176.4 | 1,075.0 | 265.9 | 296.6 |
| Cedel | 393.7 | 523.1 | 310.1 | 283.4 |

CURRENT INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life* years | Coupon % | Price | Lead manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| ‡†Sonatrach (g'teed Banque Exterieure d'Algerie) | 50 | 1986/92 | — | 7¾ | 100 | CCF | 7.38 |
| †Mizrahi Int. | 10 | 1983 | — | 6¾ | 100 | Mizrahi Bank | 6.86 |
| Norsk Hydro | 50 | 1994 | 11 | 9¼ | * | Hambros Bank | * |
| †Privredna Banka Zagreb | 50 | 1986 | 5.75 | 8 | 100 | Crédit Lyonnais | 8.16 |
| †Nippon Credit Bank Finance NV | 30 | 1985 | 7 | 5½** | 100 | Morgan Stanley | 5.58 |
| **D-MARKS** | | | | | | | |
| ‡§Sharp Corp. | 150 | 1988 | — | 3¼ | 100 | WestLB | 3.54 |
| §Tokyo Electric | 40 | 1986 | — | 3½ | 100 | Commerzbank | * |
| ‡Occidental Int. Finance NV | 150 | 1990 | 9.5 | 6¾ | 100 | WestLB | 6.75 |
| Oesterreichische Kontrollbank | 100 | 1988 | — | 6½ | 100 | Deutsche Bank | 6.5 |
| Brazil | 100 | 1986 | 8 | 7¼ | 100 | Deutsche Bank | 7.25 |
| **FRENCH FRANCS** | | | | | | | |
| ‡Societe Nat. Elf Aquitaine | 150 | 1988 | 9 | 9¾ | 99¾ | BNP | 9.81 |
| **GUILDERS** | | | | | | | |
| ‡EIB | 75 | 1985 | 7 | 8¼ | 99 | AmRo | 8.44 |
| **KUWAITI DINARS** | | | | | | | |
| City of Oslo | 10 | 1990 | 8.1 | 7¾ | * | KIIC | * |
| **YEN** | | | | | | | |
| ‡Australia | 30bn | 1983 | 5 | 5.6 | 99½ | Nomura | 5.74 |
| ‡Australia | 20bn | 1988 | 9 | 6½ | 99¾ | Nomura | 6.645 |

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund.
Note: Yields are calculated on AIBD basis.

BOND TRADING BY JOHN EVANS

## Old and new faces

ROSS AND PARTNERS (Securities), the new bond house headed by Mr. Stanley Ross, the ex-Kidder Peabody chairman, slipped quietly into the international bond market last week. It started trading modestly in a select number of issues.

In fact, the Ross move should be followed shortly by a number of major banks and investment houses, which are planning to play a greater role in the bond secondary markets next year.

Undeterred by the difficult trading conditions this year, a variety of different organisations will be aiming to make their presence known in coming months.

One of the most significant new names will be Bank of America International, B of A's London merchant bank subsidiary. It plans to start trading bonds early in the new year.

The bank will reportedly make a market in about 150 issues initially.

Chase Manhattan is reinforcing its Eurobond operations, which have been modest up to now. With a series of new appointments including William Steen formerly of First Boston, Chase says it plans a more complete role in bonds. This will include underwriting, distribution and trading of securities.

Elsewhere, the American Express group plans to enter the secondary markets next year in bonds and floating rate notes, reinforcing its present operation on the primary side. It will also build up capability in certificates of deposit. Amex indicates that the bank is now "*head-hunting*" for personnel in the City.

For the big U.S. banks, the keynote of their expansion in *bonds* is the creation of full service operations. They plan to offer their clientele a complete *service ranging from the primary* side to underwriting and much expanded capability in the after-market. Most banks, however, do not play down the attraction of developing in the secondary markets alone.

International Mexican Bank (Intermex), the London *consortium grouping, is to have 25* per cent of its equity acquired by the Mexican Government.

Intermex is clearly poised to become an important banking arm of the Mexican authorities, and says it now plans to become market-maker next year in international Mexican debt issues.

Ross and Partners is not so ambitious at this stage:

"We started trading in a small way last week in UK dollar convertibles, such as Beecham, Boots, Thorn and others, and also did some business in Samurai bonds," says Mr. Ross, chairman of the new company.

With a fully paid-in capital of more than $2m equivalent, Ross and Partners has received all the necessary dealing permissions in London.

A major shareholder in Ross & Partners is the Marlon House group, which controls Godsells, one of the City's largest foreign exchange and currency deposit brokers.

The company's ambition is to trade convertibles — issues in areas which are not so heavily "populated" by traders.

It is also anticipated that in *due course* a market will be made in certain of the straight bond sectors.

In the meantime, the company *is already involved in* international equity arbitrage as well as in the option markets, both traded and negotiated.

*Mr. Ross* is confident about the outlook for the Eurodollar bond market: "Since the pendulum swung back towards the dollar, we consider this the perfect time to be in dollar instruments."

However, he believes that U.S. interest rates could still be headed higher. It is for this reason that the company has begun in such a quiet and cautious manner.

He remains a strong advocate of Eurex, the computerised securities trading, information and confirmation system.

"I've always believed in the concept, and think it will become an established entity far quicker than most people believe," he asserts.

● Late last week it was confirmed that Mr. Michael von Clemm has succeeded Mr. John Craven as chairman and chief executive of Credit Suisse First Boston. Mr. Craven resigned a fortnight ago because he had disagreed with the plan to link the big Swiss bank's international investment banking arm with First Boston.

U.S. BONDS BY JOHN WYLES

## Uncomfortable see-saws

*THE U.S. bond markets see*sawed uncomfortably last week with prices falling in the first three days under the impact of consumer prices and the U.S. trade deficit and with the Federal Reserve Board gently nudging short-term interest rates upwards. On Friday, however, the market struggled to slightly higher ground on the back of money supply figures showing that M1 had fallen by $1.9bn, the second consecutive weekly fall.

The net result was a 13 basis point climb in one month commercial paper to 9.85 per cent, a ten point increase in three month commercial paper to 10.25 while returns on three months Certificates of Deposit fell mar*ginally to 10.55 per cent and six* month CD's stood unchanged at 11.15 medium and long term treasuries fell in price by anything between ½ and 1½ points and price reductions on medium and long term corporate bonds pushed their yields slightly higher.

Friday's modest progress will doubtless raise some hopes for better prices during the coming week but the Fed will be lurking in the background ready to puncture any undue complacency.

This view is suggested by the Fed's activity last week when it apparently raised the target for *the Fed Fund's rate from 9¾ to* 9⅞ per cent. The move helped dispel some uncertainty about the precise level the Fed was aiming for but it also created some puzzlement since there seemed no overpowering need for credit tightening at this time.

Money supply growth in the past three months is pretty much back inside the Fed's target ranges but economists such as *Dr. Bill Griggs of Schroder Bank* and Trust company and Dr. Henry Kaufman of Salomon Brothers are suggesting that the Fed's focus is now on the fragility of the dollar and "the ponderous problem of inflation" (Dr. Kaufman).

"The *Fed* is less concerned about the money supply for the moment and is aiming to slow down the housing market, and through housing, the economy," argues Dr. Griggs. A slower economy, it is held, will help the dollar and the fight against a close to 10 per cent inflation rate. Most predictions on the housing market forecast a fall next year from just over 2m housing starts, currently prevailing, to between 1.6m and 1.7m.

But economists believe that the Fed will again have to start worrying about money supply towards the end of this month and early into the new year. The *monetary base, which is the* measurement of compulsory bank reserves plus currency in circulation, has leaped by $1.3bn in the last two weeks, a fact deplored by strict monetary economists who claim it belies the credit tightening intentions of the November 1 package to boost the dollar.

Those who disagree concede, nevertheless, that growth in the monetary base will soon be reflec*ted in the money supply.*

This suggests continued instability in the bond markets during the coming month although a relatively modest $1bn supply of new issues is unlikely to prove too great a strain.

But it is a nerve wracking time to be trying to raise new money as the underwriters of a $100m Michigan Bell Telephone Company debenture issue learned last week. Rated triple A and priced to yield 9.16 per cent in 40 years—the highest on a Quality Bell System issue since November 7, 1975—the bonds ran into a wall of indifference which slashed their price to resale to yield 9.28 per cent.

By the close on Friday the *price had recovered sufficiently* to adjust the yield to 9.22 per cent but the experience suggested that for the moment long term corporates need a generous premium to attract sufficient investors.

# FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise du Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Hill Samuel and Co.; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Bros. International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on December 1

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.date | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

* No information available—previous day's price. † Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.date=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



BIS REPORT

## Lending patterns emerge

By Nicholas Colchester

THE LATEST figures from the Bank of International Settlements show a slow-down in the growth of international bank lending in the second quarter of this year. Yet, in hindsight, it *is clear that one reason for this* was short-lived. The second quarter saw a lull in the siege of the dollar on the currency market. So it also saw a pause in the flow of dollars out of the U.S. to fund speculative borrowing abroad.

But the second quarter figures also confirm another development in the pattern of international bank liabilities and assets of a more permanent significance. They show that the OPEC countries are not only borrowing significantly, but are now reducing their deposits with the international banking system.

The fact that oil producing countries have become net drawers on the international banks has been clear from the BIS figures since the end of last year. But the sight of them reducing their balances—and not just the more troubled among them—suggests the end of a short era. The recycling of oil wealth borrowers in the developed and undeveloped world is no longer a source of growth in the international banking business.

The pattern of international banking at the moment is of industrialised countries depositing more funds than they can borrow and of these funds flowing through a "borrowers' market" as loans to the developing world and to Eastern European countries. These borrowers are taking advantage of the easy credit conditions to finance the deterioration in their balance of payments with new loans rather than by drawing on their existing deposits with the banking system.

The BIS estimates that growth in the narrowly defined Eurocurrency market, excluding the double-counting which results from the redepositing of funds between reporting banks, was about $10bn in the second quarter, matching the growth in the first quarter of 1978 and bringing the total amount of credit outstanding up to about $320bn.

But whereas 80 per cent of the new funds in the Eurocurrency market were provided from within the European reporting area only 30 per cent was absorbed by it. Italy's non-bank sector borrowed substantially more, but Germany, for instance, reduced its borrowing.

Significantly, the developed countries outside Europe were not big borrowers in the second quarter with the exception of the U.S.

# AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. Ltd. (a)

Allied Hambro Group (a)(g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd. (a)(c)

Barclays Unicorn Ltd. (a)(c)(g)

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Trust Management (a)(g)

The British Life Office Ltd. (a)

Brown Shipley & Co. Ltd.

Canada Life Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carliol Unit Fd. Mgrs. Ltd. (a)(c)

Charities Official Invest. Fd.

Chieftain Trust Managers Ltd. (a)(g)

Confederation Funds Mgt. Ltd. (a)

Cosmopolitan Fund Managers.

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmnt. Ltd.

Equity & Law Un. Tr. M. (a)(b)(c)

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Unit Tr. Mgrs.

G.T. Unit Managers Ltd.

G. & A. Trust (a)(g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd.

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(c)(g)

Hill Samuel Unit Tst. Mgrs. (a)

Intel (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Lawson Secs. Ltd. (a)(c)

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

M & G Group (y)(c)(z)

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd. (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mgemnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National and Commercial

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Piccadilly Unit Trust (a)(b)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rothschild & Lowndes Mgmt. (a)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Save & Prosper Securities Ltd.

Save & Prosper continued

Scotbits Securities Ltd.

Schlesinger Trust Mngrs. Ltd. (a)(z)

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Sebag Unit Tst. Managers Ltd. (a)

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a)(g)

Target Tst. Mgrs. (Scotland) (a)(b)

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

Tyndall Managers Ltd.

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

| CORAL INDEX: Close 484-489 |
|---|

## INSURANCE BASE RATES

| | |
|---|---|
| †Property Growth | [illegible]% |
| ‡Vanbrugh Guaranteed | 10.75% |

† Address shown under Insurance and Property Bond Table

# INSURANCE AND PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Arrow Life Assurance

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

City of Westminster Assur. Co. Ltd.

City of Westminster Assur. Soc. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Assurance Co. Ltd.

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assurance Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (U.K.) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Solar Life Assurance Limited

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (U.K.) Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

# OFFSHORE AND OVERSEAS FUNDS

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Australian Selection Fund NV

Bank of America International S.A.

Banque Bruxelles Lambert

Barclays Unicorn Int. (Ch. Is.) Ltd.

Barclays Unicorn Int. (I. O. Man) Ltd.

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Tst. Mngmt. (CI) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

For Central Assets Mngt. Ltd. see under Keyser Ullman Ltd.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

DWS Deutsche Ges. F. Wertpapiersp.

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F. & C. Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Bank (Guernsey) Ltd./Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Baring Fund Mgrs. Ltd.

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Invest. Mgmt. Intnl.

International Pacific Inv. Mngt. Ltd.

J.E.T. Managers (Jersey) Ltd.

Jardine Fleming & Co. Ltd.

Keyser Ullmann Ltd.

King & Shaxson Mgrs.

Kleinwort Benson Limited

Lloyds Bk. (C.I.) U/T Mgrs.

Lloyds Bank International Geneva

Management International Ltd.

M & G Group

Samuel Montagu Ldn. Agts.

Murray, Johnstone (Inv. Adviser)

Negit S.A.

Negit Ltd.

Phoenix International

Quest Fund Mngmt. (Jersey) Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Rothschild Asset Mngt. (Bermuda)

Royal Trust (CI) Fd. Mgt. Ltd.

Save & Prosper International

Schlesinger International Mngt. Ltd.

Schroder Life Group

J. Henry Schroder Wagg & Co. Ltd.

Sentry Assurance International Ltd.

Singer & Friedlander Ldn. Agents

Stronghold Management Limited

Surinvest (Jersey) Ltd. (x)

TSB Unit Trust Managers (C.I.) Ltd.

TSB Gilt Fund Managers (C.I.) Ltd.

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

Utd. Intnl. Mngmnt. (C.I.) Ltd.

United States Tst. Intl. Adv. Co.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

World Wide Growth Management

NOTES

Prices do not include $ premium, except where indicated ‡, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Net of tax on realised capital gains unless indicated by ‡. ♦ Guernsey gross. ♦ Suspended. ♦♦ Yield before Jersey tax. † Ex-subdivision.

Financial Times Monday December 4 1978

# FINANCIAL TIMES SURVEY

Monday December 4 1978



# Computer Peripherals

British companies are missing their opportunities in the growing European market for computer peripherals. Instead they are concentrating on trying to compete with developments in the U.S. and Japan.

## Missing out in Europe

This survey was written by Ted Schoeters

WHATEVER group of statistics is consulted, it is hard to escape the conclusion that the British-based computer industry is missing out on one of its best chances for rapid and profitable growth—the sale of modern peripherals into a growing European market.

Britain's overall computer products balance is still heavily in the red and very largely because the country imports so many peripherals and parts of peripherals and has done so since data processing took off in the mid-1960s.

It may be that the current attack of "micromania" is simply an ill-conceived attempt to leapfrog the work that is being done in the U.S. and Japan and by so doing, recoup all of the five years' advance these two countries have stolen over Europe in general and Britain in particular—largely due to the disunity of the micro-circuit industry within the borders of the EEC.

## Stimulation

But if one were to put together all the sums earmarked in the UK for stimulation of the country's involvement in microelectronics, either by new manufacturers or by expanded use, it would come to under £150m, which is far less than Japan is spending on the development of one advanced area of microcircuitry (VSLI) alone.

Leapfrogging is a dangerous game, particularly blindfolded and that is just what the players are in this case—but there are many more expert players in the U.S. and Japan. It can only take this country into a major manufacturing programme where the end-product price is constantly dropping at an appalling speed. Yet to keep up with the rest of the world the research and development spend must always remain between 6 and 10 per cent of turnover. Of course, demand for microcircuits is expanding but so is U.S. and Japanese output—explosively, so much so that a sharp downturn in the industry is predicted for next year.

And the latest study on microcircuits carried out by Pactel says categorically that the rich will grow richer, the poor poorer and newcomers have the utmost difficulty in surviving.

But the well-known study groups IDC Europe and Mackintosh Associates are unanimous in their opinion that peripherals is the market to be in and this is particularly so in Europe.

In fact, Computerworld takes U.S. industry to task for its apparent faintheartedness in the face of all the demand from Europe it sees arising between now and 1982, quoting a total European spend on central processors and peripherals by then of $21.23bn, which is more than double the $9.22bn for 1977.

Extensive analysis is provided by IDC for discs of all kinds, tape drives and printers. But as a percentage of the above total sales figures they range from 34 down to 20 per cent depending on the type of computer and the average would appear to be not far short of 30 per cent. For these three peripherals alone, the European market is running *from say $3bn to $7bn in just* five years, which is a healthy growth rate by any standards.

Those figures do not take into account displays and keyboards and the terminals of various types now flooding on to the market as more and more users move towards a greater degree of freedom to process information where they choose.

On the basis of Mackintosh forecasts, albeit earlier ones, the total share of peripherals of all kinds over the review period could expand from $6bn to $13bn. These figures themselves may be too low since the rapid fall in the cost of central processors—minis and micros—is *difficult to allow for.*

French experience is of a reduction in the value of the central processor in a mini-based system from round 8 per cent of total cost at the beginning of the decade to only 3 per cent or less last year. So it would appear logical to raise the above target values slightly to the range of $8bn to $15bn, after which there is hardly any need to underline which market UK builders need to foster.

In its survey, Mackintosh deplored the massive numbers of U.S. peripherals moving to European users which was imposing "a significant strain on the balance of payments of European countries at a time of financial crisis." Now that the dollar has lost possibly 10 per cent of its value compared with the period during which the latter survey was carried out, there is a new and potent factor influencing the above trend.

| | Europe | |
|---|---|---|
| | Base 1/1/78 | Base 1/1/82 |
| Character printers | 87,100 | 149,300 |
| Low speed printers (other) | 66,050 | 136,100 |
| Very high speed printers—laser, etc. from 8,100 lines per minute | — | 800 |
| Low speed tape drives | 9,380 | 22,000 |
| Disc cartridge drives | 128,500 | 261,500 |
| Tape cartridge drives | 129,800 | 255,500 |
| Very high performance discs | 2,000 | 20,200 |
| All discs | 241,000 | 465,000 |

Yet Computerworld criticised U.S. manufacturers for their *lack of push this year at a* number of Trade Center shows, pointing out that in the UK alone, floppy disc drive shipments would rise much faster than for any other product.

At Hanover Fair this year, however, only 13 of 48 exhibitors showing such drives were U.S.-controlled. This could mean that countries in the EEC other than Britain have studied reports such as that by Mackintosh and its contemporaries and encouraged local manufacturers to remedy the situation.

In 1976, the French equivalent of the Department of Industry coined the word *peri-informatique* to describe that area of the computer industry covering minicomputers and peripheral equipment of all types, but excluding large computers, where France had just thrown in the sponge. Apart from inventing a new word, the department set up a project to form five companies by one means or another over as short *a period as possible and, by* "contracts for growth", place them in a strong financial position allowing the development of good products and, at the same time, spurring them to export as much as possible.

Without going into minute detail of how the various groups of companies took to the shotgun weddings—since no mergers ever run in perfectly smoothly—it is clear that the *Plan Peri-informatique* has succeeded, perhaps better than its instigators had hoped.

A few months ago, the *Fédération des Industries Electriques et Electroniques* (FIEE) published figures showing that for the first time since the beginning of the decade the French-based computer industry had returned a favourable balance in 1977. It swung into the black to the tune of FFr 17m from a deficit of FFr 103m a year before: exports in the sector were FFr 4.893m and imports FFr 4.596m—roughly comparable in volume to movements in Britain but with the serious difference that the UK trade deficit is around the £100m mark.

Interesting in the figures is the fact that in peri-informatics, French-owned groups expanded their turnover by 28 per cent to FFr 1.8bn, while foreign-owned groups grew at 20 per cent to FFr 1.92bn in a market expanding at about 22 per cent.

The whole industry increased its exports to FFr 313m from FFr 272m, figures which included no OEM purchases for re-export and thus represents almost exclusively French-built equipment.

## Probability

The inference is that next year, French controlled companies will be at least level-pegging with immigrant organisations operating in the largest and fastest-expanding sector of the information processing industry. Perhaps even more important is the probability that, excluding general purpose computers, exports of peripherals and minis entirely made in France could reach the level of about £50m, contributing heavily to the country's anticipated favourable balance in 1979 in computing equipment.

It is pertinent to ask whether the French have caught "micromania" too. Possibly they were immune, because they laid the foundations of a domestically controlled components industry *during the great expansion years* when France was building so much advanced military equipment for the Force de Frappe.

There was very recently an announcement that could be equated with a communique about micro-circuitry — but not specifically microcomputers. It is proposed that Motorola will collaborate and arrange second-sourcing with Sescosem (Thomson-CSF) on fast bipolar circuits with the Efcis (Thomson-CSF/CEA) for NMOS circuits. Both arrangements come under the wing, strangely enough, of the country's Atomic Energy Authority (CEA).

This move is backed by existing internal contracts and support funds as well as by export agreements which have been functioning for some time. It is simply ensuring that the country stays abreast of technology and is guaranteed essential supplies. Among other technologies covered by the agreements is silicon-on-sapphire, expected to be widely adopted for the next generation of advanced circuits and a technology reputed to have cost Hewlett Packard at least $20m to master.

It appears only too clearly that the advisers to the people who drew up the periinformatics plans had taken into account the rapid decline in prices o feven the most complex of circuits and their rapid obsolescence.

Meanwhile, equipment containing a high proportion of electro-mechanical devices is likely to increase in price and although simple displays may continue to become cheaper, intelligent terminals may stabilise *or become more expensive*, with improved circuitry giving a vastly increased performance.

In other words, the real added value lies in the system and not individual components, unless one is an Intel or a National Semiconductor.

Turning to the German market, which is some 50 per cent greater than that of the UK in several areas, the share of imports in total domestic sales is dropping fast. In the first half of the year it was 55 per cent of a total of DM 3.154m against 59.9 per cent of 6.448m for all 1977. The leading supplier from outside the country in January/June was the U.S. with DM 650m, followed by Britain with DM 262.1m and France with DM 255.9m.

## Imports

Relatively little can be deduced from these figures since IBM activities account for very large proportions of the amounts while IBM Germany and IBM France are the two largest producers outside the U.S. But what is significant is that while the first quarter share of imports represented 18.3 per cent of the market from the U.S., 7.4 per cent from Britain and 7.2 per cent from France — 6.4 per cent came from Japan and is unlikely to contain any IBM machinery. At the same time, Germany's own exports have been plummeting. Yet the German Government has probably put far more into the domestic computer industry than France, with rather mixed results.

It is not too late to review all Britain's periinformatics efforts and co-ordinate them to take at least the same shape as that taken by France, despite the latter's head start. But the job will be a hard slog on the part of the DoI, NRDC, NEB and other organisations with nothing of the apparent glamour of "chips with everything."

# Challenge of compatibles

BUSINESS THAT began a decade ago as a marginal operation by Itel to improve the performance of obsolescent smaller machines of the IBM 360 series has grown far beyond its previous bounds to the stage where it is successfully challenging new IBM equipment when this is launched—and even beforehand.

Itel and its suppliers came into the limelight with the first lawsuits by users of its add-on solid state memories, bought to tweak up performance of 360/30s to above that of next generation machine levels. IBM refused maintenance on such machines and lost ensuing legal actions in Germany and the U.S.

## Difficulties

Seen against a background of simultaneous severe trading difficulties for several of the smaller plug-compatible equipment makers it is hard to recognise these now rather distant events as the turning points they were. But they showed manufacturers and users that progress in electronic circuit design was so rapid that the smaller operator could always move faster than the big companies, if only because there were no huge new production lines to organise, nor installed bases of obsolete equipment to protect.

Plug-compatibility took on a new meaning with the announcements two years ago that Amdahl intended to challenge the might of IBM computing right at the centre, that is with replacements for the largest of that company's big machines.

Less than a year ago Amdahl central processors began to move to IBM stronghold sites in the U.S. and, with hardly a pause for evaluation of how these new beasts performed, the trickle has turned into a flood with IBM losing the prestige British Airways main computer site to Amdahl in the last few weeks. That is plug-compatability with a vengeance since one is talking of machines worth well over £1m each.

Itel has not stood still either and with the aid of the experts at National Semiconductor has challenged IBM, again in central processors, but at a lower level than Amdahl and with the same unprecedented success. Up-times close to 100 per cent over protracted periods are being returned and the market taken away from IBM by the two companies will represent well over £200m by the end of the year.

More recently, yet another contender for processor compatibility has appeared on the UK scene after a series of somewhat confusing preliminary announcements in the U.S. Magnuson Corporation, heavily backed by Fairchild, is offering equipment in its M8O 3, 4 and 5 series which covers the IBM 370 machines from the 125 to 158 levels and challenges the 3031, either through greatly enhanced performance price-for-price or comparable performance at much lower cost.

Both the Amdahl and Itel series have internal engineering which represents a significant improvement even over the latest IBM unit. Magnusson is something else besides — a strategic machine conceived in such a way that minor modifications enable it to work exactly like processors from Burroughs, Univac or Honeywell.

More significantly, while the company has limited internal main memory to 16 Megabytes, because that is what IBM software at present dictates, the machines can cope with up to 4,000 Megabytes, installed when the user requires.

This is not the end of the plug-compatible processor story since CDC with its Omega 1 and 2, National Semiconductor with the C400 and National CSS with the 3200 are all after the same quarry.

Some observers call these activities mere pinpricks in face of the vast orders booked by IBM for its 3000 series machines.

Perhaps the answer is that, at last, users who until now have been imprisoned in IBM software are welcoming the new freedom to do much more with this software than hitherto. Both IBM and its customers are, however, unable to get away from the fact that $200bn has been spent since the inception of the 360 family on both machine and applications software. And neither can most other computer builders!

Outside the large central processor market, a move is afoot which must inevitably affect makers and users of peripherals. It is the series of acquisitions by large international corporations on the OEM front.

Possibly the most significant —at least for the immediate future—is the acquisition by Xerox Corporation in the U.S. of the memory section of Calcom. This is in addition to such well-known names in OEM and peripherals as Shugart (floppy disc leader) Versatec (plotters, printers) and Diablo (printers, discs), already under the Xerox belt.

ITT has its Data Systems (networking), Business Systems (suppliers of various plug-compatibles to IBM users), Qume (daisy-wheel leaders), Courrier (teleprinters), and Jacquard (intelligent terminals). Exxon has absorbed the fastest-growing micro-computer and memory company Zilog, as well as the Vydek text processor builder: and Northern Telecommunication controls Data 100, maker of terminals and data capture units.

The moves are not entirely those large corporations can easily make when diversifying to take advantage of a rapidly expanding market.

In the case of Xerox, the capabilities of its new subsidiaries will be most valuable in the setting up of Xtem — Xerox Telecommunications Network—which is to provide a U.S. domestic digital communications network to use a combination of satellites and radio links. The latter will handle local distribution of satellite traffic via city nodes. If and when the system takes off — and permission has only just been sought from the Federal Communications Commission — the company will need to provide many user terminals having a multiplicity of functions but certainly being able to provide communications and checking capability together with print-out, storage and control in several modes such as polling and electronic mail.

Described as a "normal extension of our business products" by senior Xerox staff, the service is aimed primarily at the 800 odd companies in the U.S. that operate from more than three locations. It will provide high definition graphics ability and give rise to a new line of document processors when it starts up some time in 1981. It will also compete strongly with the Satellite Business System project backed by IBM.

*The CW600 tape reader jointly developed by Cable and Wireless and Data Precision*

No overall cost has been given, but as each earth station would come to about $2m and demand a multiplicity of equipment in the computing area, there will be a great deal of technological spin-off for users of devices from the participating Xerox subsidiaries.

So far as ITT is concerned, the acquisitions appear to be quite simply intended to strengthen its capture of business from IBM users and particularly those who are not happy with the slowness of the latter to move towards distributed processing, despite the recent announcement of the 8100 equipment which some observers have hailed as IBM giving the green light for this form of data processing, only grudgingly accepted in the past.

By its nature, distribution demands a lot of extra peripherals, albeit smaller and less costly ones, to meet the needs of multiple processing sites which replace the large central one.

But whatever the reason and effects of this coalescing move, one fact that emerges is that the prime movers have ample funds to buy in technology to meet what some commentators see as the beginning of an innovation-based war by IBM.

The appearance of a 64K RAM chip in the IBM 8100 mentioned above, albeit a somewhat slow and cumbersome one, is mentioned as a case in point and IBM replacements for discs engineered in charge coupled device circuitry are thought to be on the cards.

But if the innovations are made in such a way that users are put to any inconvenience, they will be unacceptable, a very recent study of users by the British Computer Society has revealed.

Suppliers of all types of plug-compatibles as well as the major manufacturers would do well to heed the strongly held views by users disclosed in this study that they are weary of "phrenetic innovation," need fewer standards, but more standardisation, and resent being locked into the suppliers of their installed systems.

In particular, there is urgent need for effective international standards to increase portability of work between different machines. There is also a very great need for a cheap, easily operated terminal of standard design involving the use of generally accepted command sets suitable for non-specialists and able to talk to any network or computer.

Users are not impressed by the huge range of alternatives and would rather see competition in terms of price and reliable performance rather than of "advanced" specification—thus the BCS.

# Data storage devices in great demand

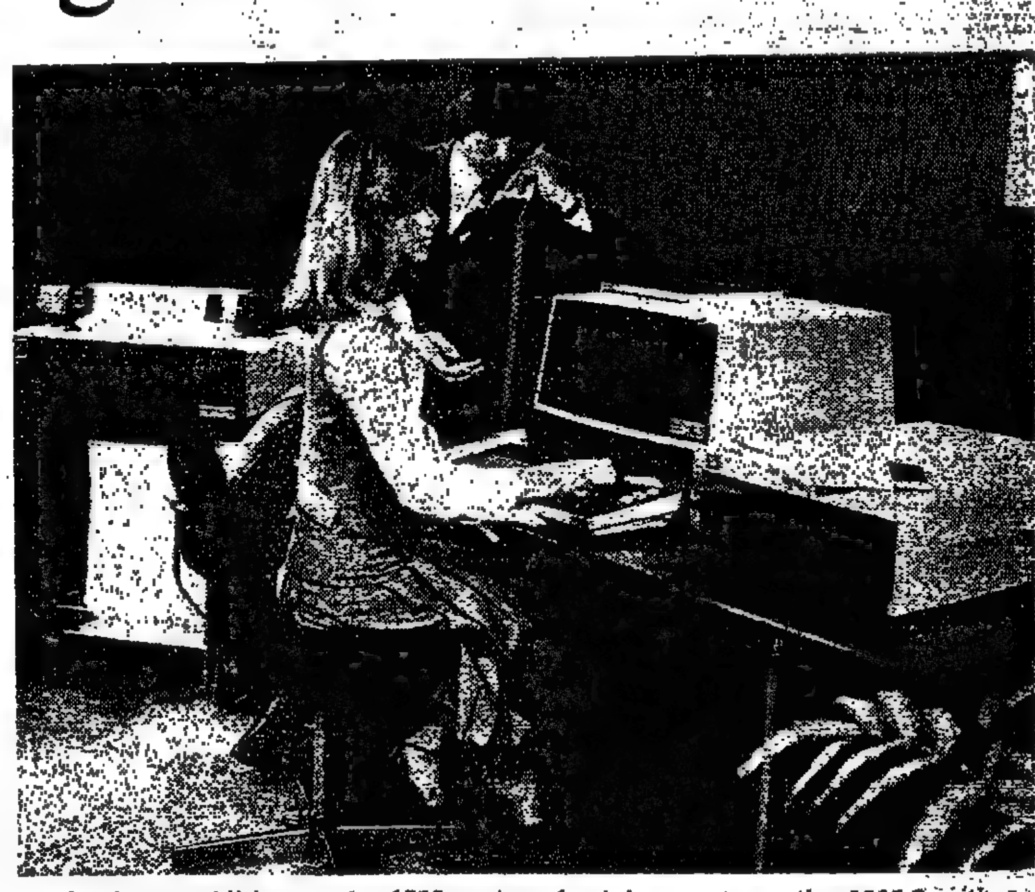
IF THERE is one area of computing where fortunes are to be made—and lost—it must be that of data storage where practically every scientific advance of the past decade from lasers to movable microscopically small magnetic bubbles is being drawn upon to design new products.

This drive for data storage devices of higher capacity and ease of access stems basically from the immense calculating speed of the central computer itself. The processor is always hungry for information and the faster it can be supplied the more efficient the computer will become.

## Moving

This is one of the reasons why so many of the bigger computers have moved or are moving over to solid state main memory based on arrays of memory chips.

So far as mass memories go, and for some years to come, the magnetic disc in all its various forms will dominate the market. IBM, CDC, Memorex, 3M and several other companies have spent vast sums on constant improvements to disc drives and disc manufacturer technologies over the years to counter problems found in the thrust for higher speeds of both disc rotation and head movement.



*ICL's latest addition to the 1500 series of mini-computers—the 1505-2 with a large 1,920 display screen, up to 16K bytes of main store and a new flexible (floppy) disc unit*

The need for greater reliability in the read/write operation caused designers to fly the heads closer and closer to the disc surface to the extent that now, by comparison to the actual clearance between head and disc, a human hair is a major obstacle. In fact in the head/disc assemblies, flying heights are now about 0.000019 inch compared with an average of 0.003 inch for human hair.

Need for absolute disc cleanliness prompted the design of the enclosed integral discs/drives by IBM on which BASF claims to have gone one better. Behind all this there is a general trend to return to the fixed discs of the earliest generation drives, primarily because of far better access times possible than with other disc types, together with superior data transfer rates and a reliability comparable with the best solid-state memory devices so far available.

But disc systems are among the most complex and mechanically perfect pieces of electromechanical design ever built and there is inevitably pressure inside the industry for devices that do not need this mechanical complexity and that will fetch and carry data at much higher electronic speeds than available with rotating technology.

These devices belong to one of three families—MOS random access memories, charge couple devices and magnetic bubble memories.

If a table is drawn of storage capacities, plotted against cost to the user, of storing one binary digit of information, MOS comes out as the most expensive by a wide margin, followed by CCD and the low capacity sector of fixed head/fixed disc. Magnetic bubble shows itself to be virtually independent of capacity and to overlap floppy disc to a considerable degree. Removable disc is considerably cheaper but there are problems.

The same graph plotted in access time against cost per bit shows magnetic bubbles, movable disc and tapes about in the same ball park as to cost, but having roughly two orders of magnitude of difference in access speeds between each.

Charge couple devices have much faster access times and transfer rates than bubbles but they are volatile and less reliable. Some manufacturers have dropped their development because they believe MOS-RAM to be the better bet.

## Effort

Bubbles appear to have the edge at the moment and, indeed, a very major effort on these memory materials has been and is being made by Bell, Hewlett-Packard, IBM, Rockwell, Texas, Fujitsu, Hitachi, NEC, Philips and Plessey.

As recorded elsewhere, Texas is using its bubble memories in products in the field, including portable terminals which have to take hard knocks.

Meanwhile, Plessey in Britain is marketing its own product in various versions alongside replacement core and solid-state memory (MOS) which is being exported to many destinations, including even Japan.

This company has also developed the parallel technology of CCD (charge coupled device) to the stage where it can offer 3 Megabit serial units at low cost for data terminals and image processing work.

Competition in the bubble market is intense and the user area is awaiting with interest the appearance some time next year of a 1 Megabit commercial bubble memory on a card to be offered by Rockwell, which has been the recipient of large development funds from NASA.

These were intended primarily for the production of a 100 Megabit capacity black box flight recorder recently handed over to that organisation: the support is undoubtedly helping elsewhere.

Rockwell expects the market for this memory type alone to increase to $500m over the next seven years, which cannot be pleasing for GEC which dropped bubble in favour of CCD some years ago. This year's bubble shipments may be around $4m.

By the mid-1980s single chips with as much as 16 Megabits per chip are expected and the break-even with floppies (says Rockwell) should come in 1980.

IBM is pursuing its own special line of development with bubbles eight times smaller than in present devices, which means far better packing densities.

Hybrids of floppies and bubbles, that Shugart calls "flubbles," could improve computer speeds by a considerable amount — holding the most likely piece of data to be required next in a bubble buffer in the drive.

Fully developed replacements for rotating storage are appearing on the scene, the most recent being the General Robotics "Microstore." This relies on 16K RAM chips to give up to 2 Megabytes of data with access better than 100 times faster than cartridge discs.

Earlier this year, Digital Data Systems brought out a core based replacement for fixed discs available up to 4 Megabytes in half Megabyte steps. Slightly more expensive than the systems it seeks to replace, it is much faster and more reliable while it does not demand a super-clean environment.

A rotating product of a very different kind, just unveiled by Philips, is one of the most exciting developments in data storage brought out this decade.

It takes the form of a 12-inch disc on which information is recorded and read by a laser. Capacity per side is a staggering 500 Megabits, which means that the full disc can contain as much information as 1m A4 sheets. This is an order of magnitude better than a magnetic system. Access time to any address is 250 milliseconds or somewhat faster than floppies.

The basis for this technology was laid during the seven years or so during which Philips was developing its unique video disc system. Judging by initial reactions to the announcement the company could well make far more out of the data processing development than out of video.

# Transformation in terminals

TERMINALS which perform several functions including communication with other equipment or computers are the fastest growing sector in data processing.

Growth rate over the past few years in the U.S. and Britain has been around 30 per cent compound and most market analysts predict that it will be maintained at this level into the 1980s.

Defined as teleprinter terminals, including both printing and display designs, but also specialised devices such as point of sale and teller units, their market in the U.S. by the end of the decade should reach $3bn, or 130 per cent up on the 1975 shipment figure. There are now 3m terminals in use of which 1.9m are teleprinters.

In Europe, for which IDC provides a more detailed product breakdown, a comparable growth rate is predicted over the five years to 1982 for conversational terminals ($544m to $984m) and for processing terminals at $988m growing to $2,464m, in single station form, and from $506m to $2,023m in clustered station form.

## Trend

Not all the foregoing will be communications units in the strictest sense since they could be distributed around a large plant and linked to a computer in the plant itself forming part of a communicating network. But the overall trend is there.

This sector of the market has undergone a major transformation thanks to the microprocessor, which made display terminals competitive in price with teleprinters. But although Teletype (AT and T) still dominates the U.S. market, more and more manufacturers are moving into the very low cost end of the market with CRT units.

IBM sought exclusivity some years ago by introducing first SDLC, or synchronous data link control, as a preferred means of communicating with the larger 370 machines and launched an appropriate terminal (3767) which offered much more than communications—calculation, security and diagnostics were also provided.

Now IBM is implementing [illegible] systems network architecture (SNA) and, as is in the case of SDLC, few other peripherals manufacturing contestants have so far followed suit, though Burroughs recently announced BNA, for Burroughs network architecture, which is intended to make it easier to run networks of computers with many peripherals and terminals so that ease of access by one computer to peripherals and terminals linked into another machine is far greater than hitherto.

Still in the communications area, one device that could face explosive growth is a car terminal with a small CRT used to receive secure police messages. Los Angeles police has placed a contract for a complete digital communications system under the control of four PDP11/70s. This will relay information and assistance to 850 cars and provide reaction times of between 5 and 15 seconds compared with as much as up to 20 minutes now.

The contract worth over $27m has gone to Systems Development Corporation of Santa Monica, California. It will be completed by 1981 and make radio message tapping by criminals impossible.

Up-market from the basic teleprinter devices, competition is fierce and Texas Instruments are one of the most active contestants. This company has been using its experience in solid-state memory, including magnetic bubble technology to present some products which will be difficult to match. There is, for instance, a portable terminal with bubble memory that retains data even when power is switched off. This can be taken from site to site and information entered through the keyboard as required. When convenient, the contents of the memory can be transmitted to base at 300 baud through an acoustic coupler or at 9600 baud using an appropriate interface.

Texas has introduced an impact printer for time-sharing and other applications that has a noise level of only 60 decibels, allowing it to be used in an ordinary office. Speed is 150 ch/sec and up to five copies can be produced.

Teletype is offering competition with IBM in the data entry and retrieval area with a system of displays and keyboards run by two micros, able to communicate over two channels and to drive 32 other devices.

In the same vein, Racal-Milgo —one of the UK's few multinationals—has a display system able to replace IBM, Univac and Honeywell equipment and operate, itself, as a virtual machine, which is going some for a terminal costing typically $20,000.

Meanwhile, though it may at first seem odd to call point of sale (Pos) devices communications terminals, there is every reason so to do because as matters are developing, they are likely to become essential links in the operation of credit card validity and authorisation checks.

This has been the most fraught area of the market since the beginning of the decade with successively GE, Singer and most recently Univac (with Accuscan) quitting the fray.

## Doubling

Yet IDC forecasts a doubling of the installed base in America between now and 1982 when there will be 720,000 terminals installed worth $2.4bn. And many of these will be second-generation machines having capabilities for both universal product code scanning and electronic funds transfer.

The departure of Singer, which dominated in general merchandise, has left NCR in the lead position with 36 per cent of the market while ICL (Inc) and TRW are seeking the Singer replacement business. To strengthen its marketing thrust, ICL has just launched a revamped or expanded PoS machine group aimed at the U.S. and the growing European customer bases.

So far as supermarkets go, NCR holds 60 per cent of the equipment market with National Semiconductors at 25 per cent.

IBM appears to be trying harder outside the U.S. than inside and particularly in Europe and the UK. That may be linked with a project now being hatched between the major British banks to link large stores into the bank networks and use suitably powerful PoS terminals at the stores, both to validate customers' bona fides and debit their accounts.

This ambitious plan could all at once elevate the credit card into a universal transaction unit, scrap cheque cards and reduce the amount of cheque handling in the banks significantly. Simultaneously it would almost fully automate the book-keeping and reordering procedures for the user stores.

If the decision to proceed with the project is taken next year, as is hoped, then within five years there might be some 20,000 terminals installed, communicating with regional switching centres and through them with a common joint operational centre communicating with the headquarters of each of the big banks, Giro and the TSBs.

Costs could be around £35m, rising rapidly as more terminals were installed by the remaining 80 per cent of large merchants whose operations are suitable for PoS/electronic funds transfer procedures.

## Investment

This is a massive investment but bankers see the quid pro quo as a sharp reduction in the cost of handling paper of all types which is still on the increase.

Yet another outlet for terminals of several kinds, but mostly low in cost, will be the Euronet packet-switched network now being set up by nine countries to provide access all over the Continent to 100 scientific, engineering and other data bases controlled by 22 computers at various centres in Europe.

Four switching exchanges and five multiplexing centres will give national access to the system through terminals operating at speeds of 110 to 1200 bits per second.

How many of these will be needed is anyone's guess at the moment. If French predictions on the number of takers of the similar Transpac service are anything to go by, there could be several thousand within a very few years.

This again is a market to be in, particularly as it is so strongly influenced by the "convergence" phenomenon — the growing together of computing and communications.

# Floppy discs show their strength

DESPITE RECENT gloomy predictions of a recession in some areas of the computer market next year, the forecasts for floppy disc drives and media remain bright and cheerful.

Growth is and will remain explosive with the pundits' predicting expansion being anywhere between 30 and over 40 per cent a year until well into the 1980s.

The highest growth rate predicted, and applicable to the drives, is nearly 42 per cent a year, according to U.S. consultant James N. Porter, who recently forecast that world sales of drives last year came close to $280m and that they would grow at the above figure to better than $620m in 1980.

## Share

While the U.S. makers supplied 80 per cent of all drives last year, their share by the end of the decade will have fallen to 76 per cent of the much larger total. In other words, non-U.S. manufacturers will almost treble their earnings between now and 1980, which must be encouraging news for such companies as Britain's Drico, under the NEB wing, but doing well.

In the U.S., IBM leads the floppy drive market with about one-third of all sales. But it shares that market with 18 other companies, none of whom seem likely to go out of business for some time, such is the demand for their goods. Thus, over the next few years, the IBM share is expected to decline.

In OEM, however, Shugart is the leader, also with about a third of the market, followed by Calcomp at around 20 per cent and CDC at 15 per cent.

Venture Development, looking a little further into the future, puts disc drive sales in 1981 at 805,000 with media offtake as much as 18.7m. Over half the equipment deliveries that year would be of IBM type drives from OEMs.

While practically all deliveries of equipment in 1976 were for one-sided 8-in discs, the share of these in the total market will drop to under 30 per cent by 1980, during which time, double-sided 8-in units will comprise half the total. At the same time, the mini-floppies will expand to 25 per cent of total shipments by volume.

By value, world shipments in 1980 will be respectively almost $200m for single 8 ins, almost double that for two-sided 8 ins and $60m for the 5¼ ins units.

## Contributed

However, despite the euphoria among the observers and manufacturers, all is not rosy in the floppies camp. That this is so was demonstrated by a Computerworld article contributed by a director of Information Terminals Corp, Rodney Crisp, who warned manufacturers incorporating floppy drives into their systems that the equipment could not be taken for granted.

Because the industry is under such tremendous pressure to expand quickly and because it is not possible for one particular type of disc or drive to meet the vast range of applications being dreamt up for it, a manufacturer using the product as a building block must carry out his own evaluation before selecting a supplier.

This must take in availability and economics, as well as technical performance. Once his own product is going out to end users it will be almost too late to go back to the disc maker or the media supplier with serious complaints.

For the manufacturer who demands a unique medium, prudence dictates granting of manufacturing licences to one or preferably more producers rather than going it alone.

Looked at from the user's standpoint, the main concern is durability and freedom from defects which might cause erroneous data. The user will consider any system malfunction a data error, whatever the source, and will for most of the time not be able to determine what is the root cause, especially if the error is transient.

The writer says evaluation and selection procedures need not be expensive and stresses that only vendors who have their own in-house continuous evaluation programmes should come under consideration.

With time, however, some of the above problems may disappear, especially if there is—as there should be—some tacit accord among the main makers for sensible standards.

That this is a distinct possibility was underlined some time ago by Pertec, which brought out a 5¼ inch drive that was to all intents and purposes compatible with a Shugart unit launched earlier. Mounting holes and outline dimensions tallied and signal interfaces were compatible. Slight differences existed in performances.

Plug compatibility along these lines is expected to develop further.

Meanwhile, one of the main difficulties in evaluating this particular market adequately is the way in which the end-applications are changing — or at the very least, the way in which jargon and definitions change.

For instance, most of the offtake for floppies in 1977 was for intelligent terminals. But these are growing so quickly in their power and versatility that many could be and are being reclassified this year as "small business systems" in their own right. So that this market sector becomes the major outlet.

Last year, data entry units, micro systems and word processors each took 10,000 floppy disc units, with 20,000 going into larger computer systems and 60,000 for small business systems. Intelligent terminals, however, absorbed 90,000.

This last figure is expected to be the same in 1981, by which time, however, small business systems offtake should have expanded to 190,000, word processors and micros to about 70,000 each, large computers and minis to 30,000 and data entry about unchanged at 10,000.

## Memory

This is a method of data recording and storage which has encroached sharply on many others, including magnetic tape, hard disc and cassettes. It is not expected that it will be surpassed for applications where a permanent or semi-permanent method of record is required, at least well into the 1980s.

Bubble memory is its most serious challenger, though there are developments which also could eat into part of the floppies market.

# Microfilm still has a major part to play

LASER PRINTERS which operate at previously unheard of speeds are giving print managers in many data processing centres more ulcers to worry about.

Alternative forms of data reproduction, particularly the computer output on microfilm (COM) have not made the progress that had been anticipated nor have they cut into the printer market as first predicted, except in some specialised areas.

## Advantages

Yet the big advantages of COM remain—ability to print out information 10 times faster than the fastest line printer; offering cheaper media than multi-copy forms as well as far less expensive distribution; and simple production of hard copy when required.

Many companies who launched into COM when it was as revolutionary as optical character reading have given up and the list includes such prestigious names as Sperry Rand, IBM, Univac, Gould, Pertec and Harris.

One disadvantage is that IBM did not proceed with the technology. Also there is the need for readers to access the information; the ease with which an important file can be destroyed if a file is removed or displaced; and the difficulty once the system is operating of effecting corrections rapidly.

But despite all this, the system appears to have found its niche in the data processing market and the five protagonists—Kodak, 3M, Memorex, Datagraphics, Quantor and NCR (the last two about to merge)—seem assured of a steadily growing market up to the middle of the 1980s, according to Datapro Research Corporation.

Installed base by the end of the current year should be not far short of 6,000 units, rising to 8,640 at the end of 1980 and 15,500 five years thereafter—a respectable growth rate by any standards. Indeed new makers are joining, including Fuji Photo Film which has begun to market a laser film unit with the capacity to process up to 9,000 pages an hour.

But it is not yet absolutely clear which way COM techniques will go; whether manufacturers will continue to offer cathode ray tube recording or move over to laser recording techniques. Several have experimented with and developed machines based on each.

CRT equipment has the edge over the laser writers in that no moving parts are involved, costs and maintenance are negligible. But in speed and resolution, laser-based equipment gains.

On the debit side for laser systems is the need to use high precision moving parts and printing limited to dot matrix methods. Also high output laser systems are subject to safety regulations.

Kodak's Comstar series uses a helium-neon laser of relatively lower power and the company has made up for this by developing a special high-speed, high resolution film.

3M, which has developed both, sees the CRT side restricted in its development only if appropriate films are not available.

Apart from this dichotomy, there is a debate on whether or not COM equipment should be intelligent and the consensus at the moment seems to be that ultimately all COM recorder types will have their own mini or micro controller and be linked to the computer they serve just like any other peripheral.

But added intelligence will allow them to accept any tape, alter formats quickly and impose no load on the main machine.

Observers expect to see a concerted move to film processing methods delivering a dry or near-dry end-product and away from the wet chemical processes generally in use now.

*Philips ultra-compact diode laser optical recorder uses a pre-grooved double-sided 12-inch disc. This can store 500,000 A4 pages*

In order for COM to become an archival system that can function for both output and retrieval of a vast amount of information, much more development is needed. Kodak has certainly gone part of the way with its IMT-50 microimage terminal. This unit can be controlled through short bursts of information from a main computer or a local processing mini to a resident processor which will then search out the required page or pages of information in a real-time, on-line mode and then display the retrieved document or date.

The unit stores over 10,000 A-4 size documents in a magazine four inches square by one square inch deep and provides hard copy.

This unit would be particularly useful in cases where operators have a very large database and have elected to hold only the most critical information on-line in the computer, together with an index to the COM file contents, or alternatively hold only the latter.

Whatever the shortcomings of COM methods, there is no doubt that they have solved some of the more serious problems of the big clearing banks including the great headache of providing a daily, accurate balance for each customer in several thousand branches.

The immediate aim of the programme which started about three years ago was to lighten the burden of printing multiple paper copies and distributing them from one or two centres to destinations throughout the country. The ultimate aim will be to provide daily itemised lists for each client.

At Barclays, for instance, the move demanded the installation of eight Kodak COM units working under the control of Hewlett-Packard minis, serving six film processors and microfiche duplicators. This is an impressive array of equipment but it serves 3,000 branches and 10m accounts. It is not at the end of the line and many other applications of COM are in train for a variety of banking processes.

## Expanded

At National Westminster Bank, the COM service bureau subsidiary has expanded to cover most of the country as well as penetrate the European market. Its advance compared with the relatively slow progress of company COM in the EEC area prompts the thought that, as COM systems now stand, they may well best serve in the hands of such specialists, or of large organisations that can afford the services of experts in this area. It would, however, need relatively little development to tame the beast to the extent that the average data processing user would have no qualms in installing a unit that brings in techniques totally alien to other forms of computer output.



# Slow decline of punched cards

BRAINCHILD OF Dr. Hollerith, who conceived the idea, in 1890, of turning Jacquard loom control patterns into commercially usable fact-storage units, the *punched card has on several* occasions over the past five years been forecast to disappear as a data capture unit. But, like Charles II it is taking a long time a-dying.

And the same punched card principle used to create the raucous melodies of the fairground organs and the mechanical pianos of pre-war years lingers on in what some would describe as the most rapidly moving of all technologies.

There will still be large numbers of key punches, used to create punched card media, well into the next decade, not far short of 100,000 in Europe alone, having a book value of nearly $500m and thus an asset that cannot be written off overnight. But it will be less than half the value by then of alternative data capture equipment—key to disc, etc.

In fact, the rate of decline of these units has been surprisingly slow in face of the obvious merits of the many new devices which capture, or enter, data for computer use much faster and with a far greater degree of reliability.

A rate of erosion of only 10,000 keypunches a year over the next four years in Europe suggests that there are other reasons for the longevity of this form of data capture than the traditional one of the great length of time it took IBM to move away from punched cards due to the lush rental revenues it was drawing from its thousands of machines installed world-wide.

IBM was aided and abetted by Univac, as a latecomer to that sector of the market, and only last year, Univac UK's managing director Bill Reid admitted gleefully to making a great deal of money from the Univac buffered card punch series still operating in Britain.

## Average

The same trend is reported from the U.S. where there were 250,000 key punches installed in 1976, a base expected to decrease at an average of less than 10 per cent per year up to 1981. This 250,000 keyboards compared with a combined total of 186,000 key to tape, key to disc and key to floppy disc data entry stations.

The rate of decline is thus comparable on both sides of the Atlantic and there are several factors slowing it down, one of which is customer resistance.

New markets for the punched card have been developed and *equipment is constantly being* manufactured to meet this need. Decision Data Computers (GB) is one of the few manufacturers of both 80 and 96 column on and off line equipment and, according to the company, the present success of the card lies in its ability to meet a fundamental need where it cannot be easily or economically replaced.

Examples of these newly approached markets include areas where adverse operating conditions exist, eg production control or process control, both areas where the card is superior to other media. The punched card can be written on, carried around the factory or warehouse, fed simply into any system and it is tough, durable and cheap.

*Decision Data on-line punched card equipment at Bunge and Co., commodity merchants, in London where it is linked directly to an IBM System 34 with card input*

Another area which demonstrates a natural superiority for the card is in retail or distribution trades where it may be a turnaround document for clothes or shoes, then fed through in a batch manner to client stock statistics.

Decision Data recently linked its 9610/09 on-line punch-card equipment to an IBM System 34 for the firm of Bunge and Company, commodity merchants in *the City of London.*

Bunge's decision to go for on-line card equipment stemmed from a search for a replacement for its IBM System 3 Model 10 which was installed six years ago.

The company spent over a year searching the marker and only the Decision Data device enabled Bunge to use IBM System 34 with card input as the company required.

This system was set up with 64K bytes of memory 27M bytes of fixed disc, five visual display terminals, a 300 lpm printer, a matrix printer, and double density, double sided floppy disc drives. But the company's application required "shipping documents," and punched cards were a must—for both financial and ease-of-use considerations. Other solutions offered by manufacturers were either financially unsuitable or impractical.

The cost of 30 cards is some 10p and cannot be compared financially with other media such as floppy disc—which would not be utilised fully. Other mass storage devices are also unsuitable and have tremendous handling problems.

In addition to the advantages of the card in these and similar turnaround document applications, cards also remain popular for computer program preparation because they are fast and easy to prepare and they provide a tangible, readable unit of program data that is easy to change. Cards also remain one of the best means of setting up computer job control restrictions, regardless of how or where the data is fed in or stored.

## Input

But all of the quoted special uses are insufficient to account for the quantities of key punches, both buffered and unbuffered that remain in use. So the key punch remains a major factor in the volume data input device competition, especially among small to medium size computers.

Meanwhile, punched card users still account for a substantially higher percentage of data entry operations in the UK than any other single type of data entry device.

But having said all that, it must be remembered that initial offers of replacements for punched card equipment were sometimes sheer disasters, both for manufacturers and the unwary users.

Then, at a later stage, too many companies jumped on to the key-to-disc bandwaggon with serious consequences for some who suffered several years of poor financial results in consequence, indirectly threatening users with the headache of lack of support should the affected supplier collapse.

For the past two years, however, this section of the market has apparently settled down and several of the participating companies, such as Redifon and CMC have scored remarkable progress. Redifon can, and indeed frequently does, call itself the second largest British computer company—it is probably the most significant Western presence in the East European computer market.

Key-to-disc seems to be running at a fairly steady pace but key-to-floppy-disc is a rapid growth area and it is very likely that here is the equipment that will finally lay the punched card of Herr Hollerith and Monsieur Jacquard to a well-deserved rest.

At the same time, many new small business computers are now being offered with direct data entry as a matter of course. What share of the input market this now represents is a matter for conjecture. It could be as much as half in terms of actual stations, though this does not seem to worry the makers of data capture equipment unduly.

هكذا من الأصل

**The Application List for the Ordinary shares now offered for sale will open at 10 a.m. on Thursday, 7th December, 1978, and will close at such later time on the same day as County Bank Limited may determine.**

Copies of this Offer for Sale, having attached thereto the documents specified below, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary share capital of Milletts Leisure Shops Limited ("the Company") to be admitted to the Official List.

This Offer for Sale contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Citizen

# MILLETTS LEISURE SHOPS LIMITED

Milletts

# Offer for Sale

## BY COUNTY BANK LIMITED OF

## 1,707,560 Ordinary shares of 20p each at 110p per share payable in full on application

The shares now offered rank in full for all dividends hereafter declared or paid on the Ordinary share capital of the Company.

*The following information is derived from the full text of the Offer for Sale and accordingly must be read in conjunction with that text.*

**SELECTED INFORMATION**

The Group operates 88 retail shops throughout England and in the Channel Islands, selling leisurewear, camping and sports equipment, jeans, rainwear, industrial clothing and footwear. The Group is actively expanding sales under its own "Citizen" brand name which now account for over 40 per cent. of total sales. Plans are in hand for the opening of nine new shops.

- Issued Share Capital: 5,200,000 Ordinary shares of 20p each £1,040,000

| | *Year ended on or about 31st January,* | | | | | *Six months ended 31st July,* |
|---|---|---|---|---|---|---|
| Trading | *1974* | *1975* | *1976* | *1977* | *1978* | *1978* |
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| Sales | 4,130 | 5,485 | 6,860 | 8,258 | 9,567 | 5,505 |
| Operating profit before taxation | 168 | 302 | 432 | 512 | 603 | 544 |

- Group net assets at 31st July, 1978, including £530,000 being the net proceeds of the new shares issued for cash:
  - —total £4.84 million
  - —per share 93 p
- Offer for Sale price 110 p
- Total value of issued share capital at the Offer for Sale price £5.72 million
- Forecast operating profit before taxation for the year ending 29th January, 1979 not less than £1.0 million
- Estimated earnings per share for the year ending 29th January, 1979:
  - —on the basis of a 52 per cent. tax charge 10.42 p
  - —on the basis of the expected tax charge 18.25 p
- Price earnings multiple based on the Offer for Sale price, estimated earnings and:
  - —a 52 per cent. tax charge 10.55 times
  - —the expected tax charge 6.03 times
- Expected dividends per share for a full year (including related tax credit at 33 per cent.) 8.5 p
- Gross yield at the Offer for Sale price 7.7 per cent.

## CHAIRMAN'S LETTER

The following is a copy of a letter addressed to County Bank Limited by Mr. Alan Millett, the Chairman of Milletts Leisure Shops Limited.

*30th November, 1978.*

The Directors
County Bank Limited

Gentlemen,

In connection with the Offer for Sale of Ordinary shares of Milletts Leisure Shops Limited ("the Company"), I have pleasure in giving you the following information about the Company and its subsidiaries ("the Group"):—

### HISTORY

My father opened his first shop in Croydon in about 1920, under the name of Milletts, selling industrial and working clothing, footwear and government surplus goods. In 1924 he was joined by my brother Robert and, by the time my father died in 1937, the business had grown to eight shops. After leaving the Army in 1948, I joined my brother for four years before deciding to branch out and form my own company; by 1964 I had built up a group of 35 shops.

Milletts Leisure Shops Limited was incorporated in 1964 to acquire the companies of my brother and myself which together then owned a total of 54 shops selling clothing, footwear and camping equipment. In the same year a group of retail menswear shops was acquired. The companies continued to operate separately, but in 1970, the year before my brother died, we decided to integrate the separate trading activities, then comprising 78 retail shops, into R. & A. Millett (Shops) Limited which is now the principal trading subsidiary. At this time the Group had its head office at Twickenham with warehouses in London and Manchester; in 1971 we made the major decision to concentrate these activities at a new site in Northampton and the move was completed two years later.

Sales have expanded rapidly during the five years the Company has been based in Northampton due to improved efficiency, an increasing emphasis on leisurewear and camping equipment, growth in total selling space and the modernisation and resiting programme which has improved the quality and location of our shops.

### BUSINESS

The Group operates 88 retail shops throughout England and in the Channel Islands, selling leisurewear, camping and sports equipment, jeans, rainwear, industrial clothing and footwear. As well as selling a wide range of proprietary goods, the Group is actively expanding sales under its own "Citizen" brand name, which now account for over 40 per cent. of total sales.

The sales pattern by value between the first and the second half of the Group's trading year is substantially similar, with July and December being peak trading periods and, although the nature of demand changes with the seasons, no particular range of merchandise represents a disproportionate share of turnover.

A map illustrating the location of our shops is shown on this page and a detailed analysis of the recent expansion activity is set out below.

All our 88 shops trade under the Milletts name, which is nationally known. Apart from our shops, there are approximately 150 other shops trading under the same name in similar merchandise and these are in the ownership of about ten separate enterprises; most of them originate from retail businesses developed by descendants of my grandfather. At the present time it is our policy not to open new shops under the Milletts name in locations where there is already established a shop trading under that name owned by one of the other independent groups.

The Group operates from a modern purpose-built head office and central warehouse complex in Northampton which has easy access to the national motorway network and from which regular weekly deliveries are made to every shop, using the Group's own transport fleet.

The Directors attach particular importance to buying and we have excellent relationships with our suppliers. No single supplier accounts for more than 10 per cent. of total purchases. Approximately 35 per cent. of our merchandise is imported directly from the Far East and, for this reason, in August, 1977, we opened our own office in Hong Kong to assist our buyers in finding new sources of supply and to ensure strict quality control and prompt deliveries.

Strong emphasis is given to effective financial control and close supervision of individual branches. Our Finance Department prepares regular integrated financial and management accounts, using computerised records, which are designed both to monitor the Group's performance and to guide management decisions, while the activities of our shops are co-ordinated by seven area managers.

### RECENT EXPANSION

Over the years we have concentrated on improving the quality of our shops. New shops have been opened and the search and negotiation for new sites in centres of population where we are not yet represented is a continuing activity. Further, we have taken full advantage of opportunities to move to better premises in towns where we are already represented and a number of older and smaller shops which were no longer viable have been closed; this has contributed to a surplus on disposal of properties in each of the last five years and it is likely that surpluses will continue to arise.

The effect of this programme has been to improve and modernise our shops, making them more attractive to our customers and providing better working conditions for our staff. The progress in the last six years, which has made an important contribution to the Group's trading success, is illustrated in the following table:—

**Recent Development of Shop Units** (*Areas are shown in square feet of net selling space*)

| *Financial Year ending* | *New Shops Number* | *New Shops Total Area* | *Closures Number* | *Modernisation Number* | *Resites Number* | *Shops at year end Number* | *Shops at year end Total Area* |
|---|---|---|---|---|---|---|---|
| 26th January, 1974 | 10 | 13,000 | 4 | 7 | 7 | 97 | 138,000 |
| 1st February, 1975 | 3 | 4,000 | 1 | 5 | 2 | 99 | 142,000 |
| 31st January, 1976 | 3 | 3,000 | 9 | 7 | 6 | 93 | 142,000 |
| 31st January, 1977 | 2 | 3,000 | 5 | 8 | 5 | 90 | 154,000 |
| 30th January, 1978 | 2 | 6,000 | 3 | 2 | 5 | 89 | 168,000 |
| 29th January, 1979 | 8 | 21,000 | 3 | 10 | 4 | 94 | 210,000 |

*Notes:* 1. The figures for the year ending 29th January, 1979 include two new shops totalling 7,000 square feet to be opened in Darlington and Edinburgh on 15th December, 1978 and four existing shops with a total selling area of 11,000 square feet in which the Group has a 50 per cent. interest as explained below.

2. The number of shops closed does not include closures resulting from resiting.

From the table it can be seen that over half our shops have been opened or resited within the last six years and the programme has resulted in an increasing selling area. The substantial progression of our sales and profits over those years amply demonstrates the effectiveness of the action taken.

In presenting our merchandise by means of open style shop-fronts providing immediate access for our customers and the use of modern display techniques within the shops, we create an attractive atmosphere for shopping.

### PLANNED EXPANSION

It is the policy of the Group to expand wherever possible throughout Great Britain. New shops are expected to contribute to profits in their first 12 months of operation. During the current financial year ending 29th January, 1979 we will have opened four new shops with a total selling area of 10,000 square feet.

Our immediate plans for the next financial year cover the opening of seven new shops in Sunderland, Newcastle upon Tyne, Stratford-upon-Avon, Windsor, Glasgow, Clydebank and Ayr, which will have a total selling area of 27,000 square feet, and the resiting of our shops in Leeds and Manchester into substantially larger premises.

Agreement has been reached with Black & Edgington Limited for a joint venture in Scotland under our management. The venture will operate through an equally owned company to be called Millett Shops Scotland Limited, to which Black & Edgington Limited has transferred the business of its four shops trading as Milletts. We will transfer to this new company the four shops which we plan to open in Scotland. It is intended that the new company will provide the basis for future expansion in Scotland.

We are constantly seeking out and negotiating for sites which will fill and extend our geographic coverage and in future we may also open shops under the name of Citizen Leisure.

### MANAGEMENT AND STAFF

The Directors and senior executives of the Group are as follows:—

| Directors of the Company | *Position* | *Age* | *Retail trade experience (years)* | *Date of joining Group companies* |
|---|---|---|---|---|
| A. C. Millett | Chairman and Managing Director .. .. .. | 50 | 30 | 1951 |
| H. Bull | Buying Director .. .. | 58 | 40 | 1933 |
| F. A. Duchezeau, FCA | Finance Director .. .. | 48 | 14 | 1966 |
| W. J. Sypel | Distribution Director .. | 60 | 28 | 1963 |
| J. C. Millett | Sales Director.. .. .. | 29 | 13 | 1972 |
| N. M. Grimwood | Solicitor, non-executive .. | 49 | — | 1971 |
| V. O. M'Quillin, FCA | Accountant, non-executive .. | 66 | — | 1971 |
| **Senior Executives** | | | | |
| *Buying Department:* | | | | |
| H. Whiteley | Buyer .. .. .. .. | 36 | 11 | 1973 |
| M. Gardner | Buyer .. .. .. .. | 35 | 19 | 1959 |
| R. L. Lawrence | Buyer .. .. .. .. | 58 | 24 | 1957 |
| B. Finlay | Buying Office Manager .. | 61 | 39 | 1962 |
| *Sales Department:* | | | | |
| W. Barnett | Sales Manager .. .. | 47 | 30 | 1973 |
| A. P. Cox | Sales Promotion Manager .. | 34 | 18 | 1960 |
| D. Greenaway | Training Officer .. .. | 29 | 12 | 1976 |
| *Distribution Department:* | | | | |
| M. Poray BSc(Hons) | Distribution/Data Control Manager .. .. .. | 33 | 2 | 1976 |
| A. Wafer | Warehouse and Transport Manager .... .. .. | 40 | 14 | 1964 |
| *Finance Department:* | | | | |
| J. A. Summerhayes, ACA | Secretary and Chief Accountant .. .. | 34 | 6 | 1972 |
| N. I. Hanlon, ACA | Financial Accountant .. .. | 32 | 5 | 1973 |
| J. H. Miller | Stock Controller .. .. | 39 | 7 | 1972 |
| *Other Departments:* | | | | |
| J. H. Joshua, ACIS, ACMA | Development Manager .. | 53 | 27 | 1951 |
| M. Wright | Manager, Hong Kong Office.. | 42 | 22 | 1977 |
| R. Eke | Security Officer .. .. | 56 | 2 | 1976 |

All Executive Directors have service contracts with the Company, details of which are set out under the heading "Statutory and General Information".

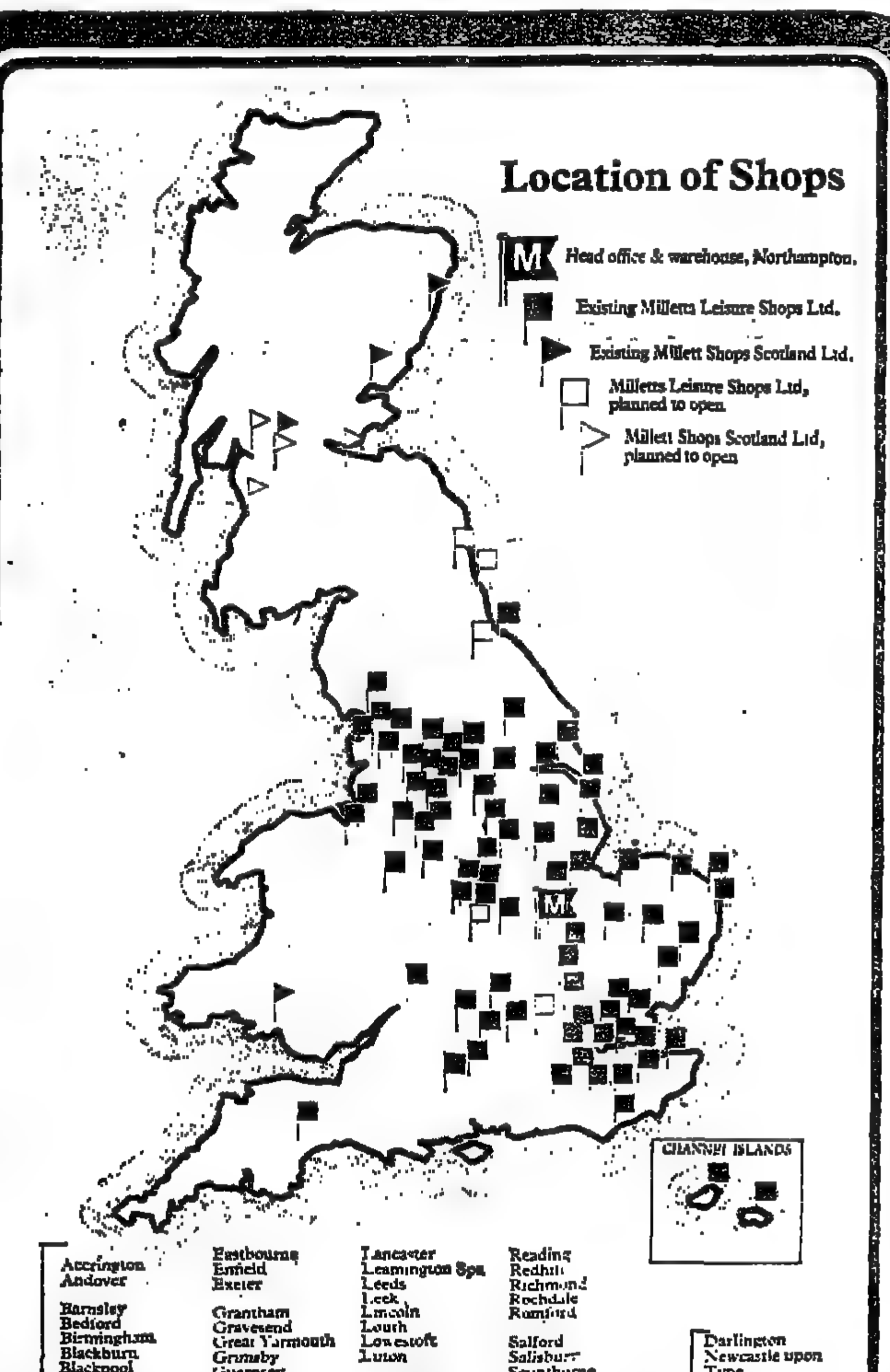
The management of the Group is divided into four principal departments: Buying, Sales, Distribution and Finance. Each department is under the immediate control of an Executive Director reporting to the Managing Director. The Group has a total of

| Authorised | SHARE CAPITAL | Issued and now being issued fully paid |
|---|---|---|
| £1,300,000 | in 6,500,000 Ordinary shares of 20p each | £1,040,000 |

**Indebtedness**

On 10th November, 1978 the Company and its subsidiaries ("the Group") had outstanding mortgages of £232,000, a secured bank overdraft of £316,000, and unsecured loans (including hire purchase commitments) of £25,000. On the same date the Group had contingent liabilities in respect of documentary credits of £56,000, and a customs duty indemnity of £40,000. The Company has also guaranteed rental payments by a subsidiary currently for £73,000 per annum and equipment leasing obligations of a subsidiary totalling £88,000.

Save as aforesaid and apart from inter-company liabilities and guarantees, on 10th November, 1978 the Group had no loan capital outstanding or created but unissued and no outstanding mortgages, charges, borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire-purchase commitments, guarantees or other material contingent liabilities.




Existing Milletts Leisure Shops Ltd.: Accrington, Andover, Barnsley, Bedford, Birmingham, Blackburn, Blackpool, Boston, Burton-on-Trent, Bury St. Edmunds, Cambridge, Canterbury, Chatham, Chelmsford, Cheltenham, Chester, Clapham, S.W.11., Colchester, Crewe, Croydon (2), Doncaster (2), Dudley, Eastbourne, Enfield, Exeter, Grantham, Gravesend, Great Yarmouth, Grimsby, Guernsey, Guildford, Hanley, Hereford, Hull, Ilford, Ipswich, Jersey (2), Kettering, King's Lynn, Kingston-upon-Thames, Lancaster, Leamington Spa, Leeds, Leek, Lincoln, Louth, Lowestoft, Luton, Maidstone, Manchester, Mansfield, Middlesborough, Middleton, Newbury, Norwich (2), Nottingham (2), Oldham, Oxford, Peterborough, Preston, Reading, Redhill, Richmond, Rochdale, Romford, Salford, Salisbury, Scunthorpe, Sheffield, Shrewsbury, Stafford, Stockport, Stratford E 15, Swindon (2), Tunbridge Wells, Walsall, Watford, Wembley, West Bromwich, Worcester, Wrexham, York

Milletts Leisure Shops Ltd, planned to open: Darlington, Newcastle upon Tyne, Stratford-upon-Avon, Sunderland, Windsor

Existing Millett Shops Scotland Ltd.: Aberdeen, Dundee, Glasgow, Swansea

Millett Shops Scotland Ltd, planned to open: Ayr, Clydebank, Edinburgh, Glasgow

**DIRECTORS**

Alan Cyril Millett, Millett House, Moulton Park, Northampton NN3 1XQ

*Hector Bull, Millett House, Moulton Park, Northampton NN3 1XQ*

Fernand Andre Duchezeau, F.C.A., Millett House, Moulton Park, Northampton NN3 1XQ

Wladyslaw Jozef Sypel, Millett House, Moulton Park, Northampton NN3 1XQ

Julian Charles Millett, Millett House, Moulton Park, Northampton NN3 1XQ

Nigel Manning Grimwood, East Pallant, Chichester, Sussex PO19 1TR

Vincent Oswald M'Quillin, F.C.A., 31 Copthall Avenue, London EC2A 7BP

**Secretary and Registered Office**
John Arnold Summerhayes, A.C.A., Millett House, Summerhouse Road, Moulton Park, Northampton NN3 1XQ

**Bankers**
National Westminster Bank Limited, Grosvenor House, Park Lane, London W1Y 4EJ

**Brokers**
W. I. Carr, Sons & Co., Ocean House, 10/12 Little Trinity Lane, London EC4P 4LB and The Stock Exchange

**Solicitors**
*To the Company:* Philip Hodges & Co., 1/2 Pump Court, Middle Temple, London EC4Y 7AE
*To the Offer:* Travers Smith, Braithwaite & Co., 6 Snow Hill, London EC1A 2AL

**Auditors and Reporting Accountants**
Peat, Marwick, Mitchell & Co. (*Chartered Accountants*), 1 Puddle Dock, London EC4V 3PD

**Valuers**
Healey & Baker (*Surveyors and Valuers*), 29 St. George Street, Hanover Square, London W1A 3BG

***Registrars and Transfer Office***
National Westminster Bank Limited, Registrar's Department, P.O. Box 82, 37 Broad Street, Bristol BS99 7NH

# MILLETTS LEISURE SHOPS LIMITED

approximately 800 employees (of whom some 260 are part-time); 105 are employed in the head office and warehouse. Over half the employees are female.

The Group employs a full time training officer and provides detailed training instruction for all staff. The Distributive Industry Training Board has carried out an extensive review of the staff training methods and, as a result, we have received the Distributive Training Award.

A retirement benefits plan is operated for senior and middle management. All full-time and part-time employees who have completed one year's service, including Executive Directors other than myself, participate in a group profit sharing scheme to which 5 per cent. of the Group's revenue profit before taxation is allocated. Distributions of profit share are made in December each year and are based partly on historical and partly on estimated group profits. Emphasis is laid on management reward and it is hoped to introduce a share incentive scheme for Executive Directors and senior members of the Group as soon as fiscal and other conditions are favourable, subject always to the prior approval of the shareholders.

A large number of employees have been with the Group for many years; relations with employees have always been good and regular consultations are held with management. There is a Joint Consultative Committee, comprising representatives of branch and head office employees, chaired by an Executive Director, which meets to discuss terms of employment, facilities or any other matters affecting employees.

## PREMISES AND VALUATION

The Group occupies a modern purpose-built warehouse and head office complex at Moulton Park, Northampton to which it moved in 1973. The original site comprising 2.9 acres is held on a long lease from Northampton Development Corporation expiring in 2073 at an annual ground rent of £4,350 subject to review on 29th January, 1995 and thereafter every 21 years. On this site, the Group has built some 35,000 square feet of warehousing and 9,500 square feet of offices which are included at £600,000 in the valuation referred to below. The Group has now virtually completed a 23,000 square feet warehousing extension for which purpose it will, on completion, accept from Northampton Development Corporation a lease of 2.7 acres directly adjoining the original site for the same period as the original lease and at an annual ground rent of £9,450 subject to the same reviews. There is planning permission for 37,000 square feet of further warehouse development on that part of the new site not covered by the current extension.

The Group owns eight freehold and long leasehold shops. The other shops are held under short leases of which 26 are leases expiring within 10 years, 28 between 11 and 20 years, 21 between 21 and 30 years and 5 between 31 and 50 years. In addition, as a result of the rationalisation of the branch network, the Group owns 15 freehold and 12 leasehold properties from which it does not currently trade and most of which are let.

Healey & Baker, Surveyors and Valuers, have carried out a valuation of each of the Group's properties, as at 31st July, 1978, on the basis of open market value of the interest held by the Group, subject to and with the benefit of leases granted to third parties, but otherwise with vacant possession. This valuation is summarised as follows:—

| | *Properties wholly or partly occupied by the Group* £ | *Properties not occupied by the Group* £ | *Total* £ |
|---|---|---|---|
| Freehold | 826,000 | 777,000 | 1,603,000 |
| Leasehold with 50 years or over unexpired | 672,500 | 93,500 | 2,035,300 |
| Leasehold with under 50 years unexpired | 1,201,300 | 68,000 | |
| | £2,699,800 | £938,500 | £3,638,300 |

The accounts have been adjusted to reflect a surplus of £1,151,000 arising from the valuation of £1,603,000 for the freehold properties, which it is the policy of the Group to retain. No account has been taken of the contingent liability to tax on capital gains of £342,000 which would arise on the disposal of most of the freehold properties at valuation but £5,000 has been provided in respect of the potential tax liability on two properties which the Company has present plans to sell. The valuation of the leasehold properties amounting to a total of £2,035,300, (which is not to be incorporated in the accounts) represents a surplus of £1,076,400 over the book value.

## ASSETS EMPLOYED

The Consolidated Balance Sheet at 31st July, 1978 which is shown in the Accountants' Report illustrates the present strength on which the continuing expansion programme will be based.

The net tangible assets, taking into account the net proceeds of the issue, are summarised as follows:—

| | £'000 |
|---|---|
| Net assets at 30th January, 1978 | 2,609 |
| Retained profit for period to 31st July, 1978 | 552 |
| Surplus on revaluation of freehold properties | 1,151 |
| Net proceeds of the issue | 530 |
| Assets attributable to the Ordinary shares | 4,842 |

The above total represents assets of 93p per Ordinary share on the enlarged share capital.

The surplus on revaluation of leasehold property, referred to earlier and which is not reflected in the above figures, represents an additional net asset value of 21p per Ordinary share (before providing for potential tax on capital gains).

## PROCEEDS OF ISSUE AND WORKING CAPITAL

Of the 1,707,560 Ordinary shares which are the subject of this Offer for Sale, 700,000 are new Ordinary shares being issued by the Company for cash. The proceeds of the issue of these new shares, after deducting the expenses of the Offer for Sale payable by the Company, will raise £530,000 of additional working capital for the further expansion of the Group as set out above.

Taking into account the net proceeds of the issue and the banking and other facilities available to the Group, the Directors are of the opinion that the Group has adequate working capital for its present requirements.

## PROFIT FORECAST

The development of the Group's business has been described above and its effect on profits is quantified in the Accountants' Report. Over the five years to 30th January, 1978, operating profits before taxation, which include rental income but exclude surpluses on disposal of properties, have increased from £168,000 to £603,000.

The audited figures for the half year to 31st July, 1978 show a considerably improved profit margin on an expanding sales base.

Having regard to the profit earned in the half year ended 31st July, 1978 and subsequent management information and, on the basis of the assumptions set out under "Information Relating to the Profit Forecast", the Directors are confident that in the absence of unforeseen circumstances the operating profit of the Group before taxation for the year ending 29th January, 1979 will be not less than £1,000,000, which does not include an estimated net surplus on disposal of properties amounting to £59,000.

## DIVIDENDS AND APPROPRIATION OF PROFIT

On the basis of the forecast of operating profit before taxation of not less than £1,000,000 for the year ending 29th January, 1979, the Directors intend to recommend for payment in July, 1979, a final dividend of 3.015p per share (equivalent to 4.5p gross with related tax credit at the rate of 33 per cent.).

In respect of a full year in which a similar level of profit were to be earned, the Directors would expect to recommend dividends totalling 5.695p per share (equivalent to 8.5p gross with related tax credit at the rate of 33 per cent.). It is intended in future years to pay interim and final dividends in November and July respectively.

The following table sets out, by way of illustration only, how an operating profit before taxation of £1,000,000 would be appropriated ignoring surpluses on disposal of properties, and assuming (in column A) a charge for corporation tax at 52 per cent. and (in column B) the expected tax charge for the year to 29th January, 1979 based on the forecast stock levels and capital expenditure. The figures also assume total dividends of 5.695p per share on the enlarged share capital of £1,040,000:—

| | A £'000 | B £'000 |
|---|---|---|
| Profit before taxation | 1,000 | 1,000 |
| *less:* Taxation | 520 | 160 |
| Profit after taxation | 480 | 840 |
| *less:* Dividends | 296 | 296 |
| Retained profit | 184 | 544 |
| Cover for dividends | 1.6 times | 2.8 times |

At the Offer for Sale price of 110p the gross dividend yield would be 7.7 per cent.

On the basis of the illustration and 4,607,000 shares, being the weighted average number of shares in issue during the year to 29th January, 1979 taking into account the new shares now being issued, the earnings per share based on a 52 per cent tax charge would be 10.42p and, at the Offer for Sale price, the Company would be valued on a price earnings multiple of 10.55. On the same bases but taking the expected tax charge, the earnings per share would be 18.23p and the price earnings multiple would be 6.03.

My wife and I have agreed to waive our entitlements to the proposed final dividend in respect of the year ending 29th January, 1979 to the extent of £50,360.

## PROSPECTS

With particular emphasis on quality control, competitive prices and continuous improvement of our shop premises, we will be able successfully to satisfy the growing demands of our customers for our full range of leisure merchandise.

In addition to the two new shops to be opened in the current year, plans are now in hand for the opening of seven new shops with a total selling area of 27,000 square feet. Our spread into the North East of England and into Scotland is of particular significance.

The expansion of our warehouse should provide the capacity required by the Group for the next five years and, with a strong balance sheet and an enthusiastic team, the Company is well placed to continue its growth.

Yours faithfully,
ALAN MILLETT,
*Chairman.*

## ACCOUNTANTS' REPORT

The following is a copy of the Report by Peat, Marwick, Mitchell & Co.:—

1, Puddle Dock,
Blackfriars,
London, EC4V 3PD.
*30th November, 1978*

The Directors,
*MILLETTS LEISURE SHOPS LIMITED*
COUNTY BANK LIMITED

*Gentlemen,*

We have examined the audited accounts of Milletts Leisure Shops Limited ("the Company") and of its subsidiary companies, collectively referred to as "the Group", for the periods relevant to this report. Those accounts were prepared under the accounting convention referred to in note 1 below. We have been auditors of the Group in respect of all the relevant accounting periods.

The summarised profit and loss accounts, source and application of funds statements and balance sheets set out below are based on the audited accounts after making such adjustments as we consider appropriate. In our opinion these summaries, together with the notes thereon, give, under the convention stated below, a true and fair view of the profits of the Group and of the source and application of funds for the periods stated and of the state of affairs of the Company and the Group at the dates stated.

No audited accounts of the Company or any of its subsidiaries have been made up in respect of any period subsequent to 31st July, 1978.

### 1. Accounting Policies

The summaries set out in this report have been prepared on the basis of the following significant accounting policies which, with the exception of the policy on depreciation of freehold buildings noted below, have been applied consistently throughout the period under review:—

1.1 *Accounting convention*

The accounts have been prepared under the historical cost convention supplemented by the revaluation of freehold properties at 31st July, 1978.

1.2 *Basis of consolidation*

The accounts of the Group comprise the accounts of the Company and all its subsidiaries.

1.3 *Turnover*

Turnover represents the value of goods sold outside the Group, excluding Value Added Tax.

1.4 *Depreciation*

Following the revaluation of freehold land and buildings on 31st July, 1978, freehold buildings are being written down by equal annual instalments to residual value over their estimated life. Freehold land is not depreciated and for accounting periods ended on or before 31st July, 1978 freehold buildings were not depreciated.

Leasehold properties are written off by equal annual instalments over the shorter of 40 years or the unexpired term of the lease.

Shop fronts, fixtures and fittings are written off by equal annual instalments of 10 per cent. and vehicles of 20 per cent.

1.5 *Deferred taxation*

Deferred taxation would be provided on timing differences in respect of capital allowances on fixed assets and on stock relief except when such liabilities were not expected to arise in the foreseeable future. No provisions for such deferred taxation are included in the tables below because the directors are of the opinion that no liabilities will arise in the foreseeable future.

Deferred taxation on chargeable gains rolled over is provided at 30 per cent. No provision is made for the taxation liability which would arise if the freehold properties were sold at their balance sheet values, except for properties which the Group has present plans to sell.

1.6 *Stock*

Stock is valued at the lower of cost and net realisable value. Cost is determined by deducting the appropriate rate of gross margin from the selling value.

1.7 *Exchange rates*

Amounts in foreign currencies are translated into sterling at the rates of exchange ruling on the dates of the transactions.

### 2. Profit and Loss Accounts

| | Notes | *52 weeks ended 26th January, 1974* £'000 | *53 weeks ended 1st February, 1975* £'000 | *52 weeks ended 31st January, 1976* £'000 | *52 weeks ended 31st January, 1977* £'000 | *52 weeks ended 30th January, 1978* £'000 | *26 weeks ended 31st July, 1978* £'000 |
|---|---|---|---|---|---|---|---|
| Sales | | 4,130 | 5,485 | 6,860 | 8,258 | 9,567 | 5,505 |
| Cost of sales | 2.1 | 4,040 | 5,262 | 6,496 | 7,831 | 9,049 | 5,028 |
| Trading profit before taxation and extraordinary item | | 90 | 223 | 364 | 427 | 518 | 477 |
| Rents receivable and other income | | 78 | 79 | 68 | 85 | 85 | 67 |
| Operating profit | | 168 | 302 | 432 | 512 | 603 | 544 |
| Surplus on disposal of properties | | 56 | 112 | 56 | 28 | 74 | 115 |
| Profit before taxation and extraordinary item | | 224 | 414 | 488 | 540 | 677 | 659 |
| Taxation | 2.2 | 16 | 64 | 131 | 21 | 254 | 107 |
| Profit after taxation and before extraordinary item | | 208 | 350 | 357 | 519 | 423 | 552 |
| Extraordinary item | 2.4 | 53 | — | — | — | — | — |
| Retained profit | | 155 | 350 | 357 | 519 | 423 | 552 |
| Adjusted earnings per share | 2.5 | 4.6p | 7.8p | 7.9p | 11.5p | 9.4p | 12.3p |

*Notes:—*

2.1 *Cost of sales includes*

| | | | | | | |
|---|---|---|---|---|---|---|
| Depreciation: | | | | | | |
| Leasehold properties | 27 | 44 | 48 | 56 | 63 | 36 |
| Shop fronts, fixtures and fittings and motor vehicles | 82 | 85 | 102 | 106 | 127 | 76 |
| | 109 | 129 | 150 | 162 | 190 | 112 |

Following the valuation of freehold properties referred to in note 3.1, there will be a charge for depreciation of freehold buildings in accordance with note 1.4 from 1st August, 1978 at an approximate level of £8,000 per annum.

| | | | | | | |
|---|---|---|---|---|---|---|
| Interest: | | | | | | |
| Bank interest | 84 | 87 | 45 | 72 | 61 | 31 |
| Mortgage interest | 9 | 33 | 31 | 30 | 29 | 13 |
| Other interest | 10 | 5 | 2 | 10 | 9 | 4 |
| | 103 | 125 | 78 | 112 | 99 | 48 |

Directors' emoluments were £73,000 for the 52 weeks ended 30th January, 1978 and £43,000 for the 26 weeks ended 31st July, 1978.

2.2 *Taxation*

| | | | | | | |
|---|---|---|---|---|---|---|
| U.K. corporation tax at 52 per cent. of adjusted trading profit before relief for timing differences | 69 | 164 | 269 | 293 | 374 | 299 |
| Relief for timing differences including stock relief and capital allowances on fixed assets | 69 | 138 | 154 | 284 | 166 | 221 |
| Corporation tax charged in accounts | — | 26 | 115 | 9 | 208 | 78 |
| Overseas tax | 4 | 5 | 4 | 3 | 7 | 6 |
| Deferred tax on property disposals | 12 | 33 | 12 | 9 | 39 | 23 |
| Taxation per accounts | 16 | 64 | 131 | 21 | 254 | 107 |

2.3 No account has been taken in the above summaries of earnings estimated at £43,000 before tax for the 52 weeks ended 26th January, 1974 arising from assets acquired by the Group from Mr. A. C. Millett in 1971 which represented a share of a former partnership bequeathed from the estate of his deceased brother. These earnings will be paid to the Group but have not been included above as the amount of taxation to be borne thereon has not yet been established.

2.4 The extraordinary item in 1974 comprises relocation expenses incurred in moving the Group head office and warehouse to Northampton.

2.5 The calculation of the adjusted earnings per share is based on profit after tax as stated in the accounts and before the extraordinary item and on the 4,500,000 Ordinary shares of 20p each in issue immediately prior to the Offer for Sale.

2.6 The Company has paid no dividends since the date of its incorporation.

### 3. Balance Sheets

| *The Company 31st July, 1978* £'000 | | Notes | *The Group* 27th January, 1973 £'000 | 26th January, 1974 £'000 | 1st February, 1975 £'000 | 31st January, 1976 £'000 | 31st January, 1977 £'000 | 30th January, 1978 £'000 | 31st July, 1978 £'000 |
|---|---|---|---|---|---|---|---|---|---|
| | **Fixed assets:** | 3.1 | | | | | | | |
| | Freehold properties | | 240 | 282 | 289 | 414 | 490 | 432 | 1,603 |
| | Leasehold properties | | 300 | 704 | 739 | 767 | 780 | 845 | 959 |
| | Shop fronts, fixtures and fittings | | 283 | 434 | 414 | 499 | 722 | 923 | 1,094 |
| | Motor vehicles | | 25 | 29 | 24 | 22 | 22 | 28 | 33 |
| 1,330 | Investment in subsidiary companies | 3.2 | — | — | — | — | — | — | — |
| | | | 848 | 1,449 | 1,466 | 1,702 | 2,014 | 2,228 | 3,689 |
| | **Current assets:** | | | | | | | | |
| | Stock | | 865 | 1,159 | 1,170 | 1,448 | 1,878 | 2,029 | 2,652 |
| | Debtors | | 161 | 157 | 156 | 177 | 327 | 268 | 325 |
| | Cash | | 9 | 11 | 27 | 24 | 31 | 12 | 27 |
| | | | 1,035 | 1,327 | 1,353 | 1,649 | 2,236 | 2,309 | 3,004 |
| | **Current liabilities:** | | | | | | | | |
| | Bank overdraft (secured) | | 201 | 312 | 253 | 271 | 855 | 198 | 586 |
| | Creditors | | 323 | 475 | 608 | 726 | 624 | 1,084 | 1,073 |
| | Taxation | | 182 | 97 | 56 | 149 | 132 | 228 | 307 |
| | | | 706 | 884 | 917 | 1,146 | 1,611 | 1,510 | 1,966 |
| | Net current assets | | 329 | 443 | 436 | 503 | 625 | 799 | 1,038 |
| | Loans | 3.4 | (365) | (911) | (538) | (471) | (377) | (303) | (272) |
| | Deferred taxation | 3.5 | (10) | (21) | (54) | (67) | (76) | (115) | (143) |
| 1,330 | Attributable to shareholders | | 802 | 960 | 1,310 | 1,667 | 2,186 | 2,609 | 4,312 |
| | *Representing:* | | | | | | | | |
| 500 | Ordinary shares | 3.6 | 60 | 60 | 120 | 120 | 120 | 500 | 500 |
| 830 | Reserves | 3.7 | 742 | 900 | 1,190 | 1,547 | 2,066 | 2,109 | 3,812 |
| 1,330 | | | 802 | 960 | 1,310 | 1,667 | 2,186 | 2,609 | 4,312 |
| 1,330 | Net assets at 31st July, 1978 (as above) | | | | | | | | 4,312 |
| 530 | Estimated net proceeds of proposed issue (note 3.6) | | | | | | | | 530 |
| 1,860 | Adjusted net assets attributable to shareholders | | | | | | | | 4,842 |

*Notes:—*

3.1 *Fixed assets*

| | *Cost or valuation* £'000 | *Depreciation* £'000 | *Net book value* £'000 |
|---|---|---|---|
| Freehold properties | 1,603 | — | 1,603 |
| Leasehold properties | 1,223 | 264 | 959 |
| Shop fronts, fixtures and fittings | 1,691 | 597 | 1,094 |
| Motor vehicles | 57 | 24 | 33 |
| | 4,574 | 885 | 3,689 |

The Group's freehold properties were valued on an open market basis as at 31st July, 1978 by Healey & Baker (Surveyors and Valuers). The valuation of these freehold properties has been incorporated in the above summaries and the surplus over book value, after providing for deferred tax in accordance with note 1.5, has been credited to the revaluation reserve.

3.2 The Company's investment in subsidiaries at 31st July, 1978 comprised shares at cost of £1,337,000 less amounts due to subsidiaries of £7,000.

3.3 The consideration for the share of the former partnership acquired from Mr. A. C. Millett (see note 2.3) was agreed to be the valuation settled for estate duty on the death of his brother and included an estimated amount of £125,000 for goodwill; this amount has been written off prior to the period under review. The consideration will be reduced to the extent, if any, that the agreed estate duty valuation of goodwill falls short of £125,000, but no additional consideration will arise if a higher valuation is agreed.

3.4 Loans at 31st July, 1978, comprised:—

| | £'000 |
|---|---|
| Mortgages: | |
| At 7 per cent. repayable at £2,500 p.a. until 1989 and then outstanding balance | 93 |
| At 13 per cent. repayable at £6,667 p.a. until 1990 and then outstanding balance | 123 |
| Short term repayable within 3 years | 56 |
| | 272 |

3.5 In accordance with note 1.5 deferred tax has been provided only in respect of tax liabilities on chargeable gains rolled over at 31st July, 1978 and on the revaluation surplus on two freehold properties which the Group has present plans to sell. The potential amount of additional deferred tax at 31st July, 1978 is as follows:—

| | £'000 |
|---|---|
| Stock relief | 636 |
| Capital allowances on fixed assets and other timing differences | 439 |
| Capital gains on revaluation of other freehold properties | 342 |
| | 1,417 |

3.6 On 27th January, 1973 the authorised and issued share capital was £60,000 in Ordinary shares of £1 each. On 16th July, 1974 and 15th September, 1977 the issued share capital was increased by bonus issues of £1 Ordinary shares to £120,000 and £500,000 respectively.

On 27th October, 1978 the issued share capital of the Company was further increased to £600,000 by a bonus issue of £1 Ordinary shares. On 30th November, 1978 the issued share capital was changed by the sub-division of the existing 600,000 Ordinary shares of £1 each into 3,000,000 Ordinary shares of 20p and the bonus issue from a capitalisation of reserves of 1,500,000 new Ordinary shares of 20p each.

Under the terms of the contract dated 30th November, 1978 with County Bank Limited, the Company has conditionally agreed to allot and issue a further 700,000 Ordinary shares of 20p each for a cash consideration of 110p each, which will raise £530,000 after deducting expenses.

3.7 *Movements on reserves*

| | *Accounting period ended in* January 1974 £'000 | February 1975 £'000 | January 1976 £'000 | January 1977 £'000 | January 1978 £'000 | July 1978 £'000 |
|---|---|---|---|---|---|---|
| Share premium account: | | | | | | |
| Balance at beginning of period | 1,270 | 1,270 | 1,210 | 1,210 | 1,210 | 830 |
| Capitalisation: bonus issue | — | 60 | — | — | 380 | — |
| Balance at end of period | 1,270 | 1,210 | 1,210 | 1,210 | 830 | 830 |
| Retained earnings: | | | | | | |
| Balance at beginning of period | 393 | 548 | 898 | 1,255 | 1,774 | 2,197 |
| Retained profit for period | 155 | 350 | 357 | 519 | 423 | 552 |
| Balance at end of period | 548 | 898 | 1,255 | 1,774 | 2,197 | 2,749 |
| Revaluation reserve | — | — | — | — | — | 1,151 |
| Group reserves at end of period | 1,818 | 2,108 | 2,465 | 2,984 | 3,027 | 4,730 |
| Goodwill arising on consolidation | (918) | (918) | (918) | (918) | (918) | (918) |
| Reserves per balance sheet | 900 | 1,190 | 1,547 | 2,066 | 2,109 | 3,812 |

The Company has no retained earnings, its reserves being share premium account.

3.8 *Contingent liabilities*

(a) At 31st July, 1978 a subsidiary company had guaranteed an overdraft of a third party up to a maximum of £125,000; this guarantee has since been discharged with no claim against the Group.

(b) The Company has guaranteed overdraft and other liabilities of a subsidiary company which at 31st July, 1978 aggregated approximately £720,000, and has also guaranteed rental payments by a subsidiary currently for £75,000 p.a.

(c) At 31st July, 1978 a subsidiary company had documentary credits outstanding amounting to £122,000.

3.9 Capital expenditure authorised at 31st July, 1978 by the Group amounted to £839,000 of which £439,000 was contracted.

### 4. Source and Application of Funds Statement

| | *52 weeks ended 26th January, 1974* £'000 | *53 weeks ended 1st February, 1975* £'000 | *52 weeks ended 31st January, 1976* £'000 | *52 weeks ended 31st January, 1977* £'000 | *52 weeks ended 30th January, 1978* £'000 | *26 weeks ended 31st July, 1978* £'000 |
|---|---|---|---|---|---|---|
| **Source of Funds:** | | | | | | |
| Profit before taxation and extraordinary item | 224 | 414 | 488 | 540 | 677 | 659 |
| Depreciation and amortisation | 109 | 129 | 150 | 162 | 190 | 112 |
| Goodwill arising on consolidation | 2 | — | — | — | — | — |
| Surplus on disposal of properties | (56) | (112) | (56) | (28) | (74) | (115) |
| Total generated from operations | 279 | 431 | 582 | 674 | 793 | 656 |
| Funds from other sources: | | | | | | |
| Proceeds of sale of properties | 98 | 169 | 98 | 150 | 237 | 359 |
| Loans | 546 | — | — | — | — | — |
| | 923 | 600 | 680 | 824 | 1,030 | 1,015 |
| **Application of funds:** | | | | | | |
| Purchase of fixed assets | 752 | 204 | 437 | 597 | 567 | 661 |
| Relocation expenses | 53 | — | — | — | — | — |
| Repayment of loans | — | 373 | 67 | 94 | 74 | 31 |
| Taxation | 91 | 69 | 26 | 30 | 118 | 5 |
| | 27 | (46) | 160 | 103 | 271 | 318 |
| *Increase/(decrease) in working capital:* | | | | | | |
| Stocks | 294 | 12 | 277 | 430 | 151 | 623 |
| Debtors | (4) | (1) | 21 | 150 | (59) | [illegible] |
| Creditors | (153) | (132) | (118) | 102 | (460) | [illegible] |
| Net liquid funds | (110) | 75 | (20) | (579) | 639 | (375) |
| | 27 | (46) | 160 | 103 | 271 | 318 |

Yours faithfully,
PEAT, MARWICK, MITCHELL & CO.
*Chartered Accountants.*

### Information Relating to the Profit Forecast

The forecast of profit of the Group for the year ending 29th January, 1979 has been compiled on the basis of the accounting policies normally adopted by the Group and includes results shown by the audited interim accounts for the six months to 31st July, 1978 and subsequent unaudited management information. The principal assumptions on which the Directors have based their forecast are that:—

(1) Sales for the remainder of the financial year will reflect normal seasonal patterns at gross profit margins approximately equal to those achieved in the first half year.

(2) The operations of the Group will not be materially affected by industrial disputes.

(3) The operations of the Group will not be adversely affected by future government action either in the United Kingdom or overseas.

(4) There will be no significant further property disposals in the forecast period except for the sale of two leasehold properties.

The following are copies of letters from Peat, Marwick, Mitchell & Co. and from County Bank Limited:—

The Directors,
*Milletts Leisure Shops Limited.*

*30th November, 1978.*

Gentlemen,

We have reviewed the accounting bases and calculations for the profit forecast of Milletts Leisure Shops Limited and its subsidiary companies for the year ending 29th January, 1979, set out in the Chairman's letter dated 30th November, 1978. The forecast is based on the audited interim results for the six months ended 31st July, 1978, and subsequent unaudited management information.

In our opinion the forecast (for which the Directors are solely responsible), so far as the accounting bases and calculations are concerned, has been properly compiled on the footing of the assumptions used by the Directors and is presented on a basis consistent with the accounting practices normally adopted by the Group.

Yours faithfully,
PEAT, MARWICK, MITCHELL & CO.
*Chartered Accountants.*

The Directors,
Milletts Leisure Shops Limited.

*30th November, 1978.*

Gentlemen,

With reference to the paragraph headed "Profit Forecast" set out in the Offer for Sale dated 30th November, 1978, we have examined the bases and assumptions on which the forecast of profit before taxation for the year ending 29th January, 1979 has been made, have discussed these with the Directors and have considered the letter dated 30th November, 1978 addressed to you by Peat, Marwick, Mitchell & Co. regarding the accounting bases and calculations adopted in arriving at the forecast.

We accordingly consider that the said profit forecast (for which the Directors are solely responsible) has been prepared with due care and consideration.

Yours faithfully,
*for* COUNTY BANK LIMITED,
J. E. IMPEY,
*Director.*

## STATUTORY AND GENERAL INFORMATION

### 1. Capital Changes

Immediately prior to 30th November, 1976, the authorised share capital of the Company was £120,000 divided into 120,000 Ordinary shares of £1 each, all of which were issued and fully paid. On 15th September, 1977, the authorised share capital was increased to £500,000 by the creation of an additional 380,000 Ordinary shares of £1 each all of which were issued credited as fully paid by way of capitalisation of reserves. On 27th October, 1978 the authorised share capital was increased to £600,000 by the creation of an additional 100,000 Ordinary shares of £1 each all of which were issued credited as fully paid by way of capitalisation of reserves.

On 30th November, 1978:—

(i) Each of the existing Ordinary shares of £1 was subdivided into five Ordinary shares of 20p;

(ii) The authorised share capital was increased to £1,300,000 by the creation of 3,500,000 new Ordinary shares of 20p; and

(iii) Reserves of £300,000 were capitalised and applied in paying up 1,500,000 new Ordinary shares of 20p.

On the same day the Company was converted into a public company and new Articles of Association were adopted.

### 2. Contract with County Bank Limited

Under contract (17) below County Bank Limited ("the Bank") has agreed, subject to the Council of The Stock Exchange admitting to the Official List the whole of the issued Ordinary share capital of the Company not later than 15th December, 1978, (i) to subscribe in cash for 700,000 Ordinary shares of 20p each and (ii) to purchase 1,007,560 Ordinary shares of 20p each from certain existing shareholders ("the Vendors"), in each case at a price of 110p per share less a commission of 1½ per cent. plus V.A.T., and to offer the said shares for sale to the public. The names of the Vendors and the number of shares being sold are as follows:—

Mr. A. C. Millett (488,810); Mr. A. C. Millett as administrator of R. M. Millett deceased (125,000); Mrs. A. C. Millett (375,000); Mr. N. M. Grimwood (18,750).

This contract provides *inter alia* that the Company will pay the costs and expenses of and incidental to the application to the Council of The Stock Exchange, all legal and accountancy fees and other expenses in connection with the preparation, publication and advertising of this Offer for Sale, the valuers' fee, the expenses of and incidental to the increase and reorganisation of its share capital and the adoption of new Articles of Association, all printing charges, a fee to the brokers and a fee to the Bank and its expenses for acting as receiving banker. The Bank will pay, pursuant to underwriting agreements to which the Company is not a party, commissions of 1¼ per cent. of the offer price in respect of the Ordinary shares now offered for sale and its own legal expenses. The total expenses payable by the Company are estimated to amount to £240,000 exclusive of V.A.T.

### 3. Taxation

(a) The Directors are advised that upon the commencement of dealings in the Ordinary shares of the Company on The Stock Exchange the Company is likely to be a close company (as defined in the Income and Corporation Taxes Act, 1970 as amended).

(b) Shortfall and apportionment clearances as appropriate have been obtained in respect of all the financial periods of the Company up to 30th January, 1978.

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# WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

Central and Sherwood 0.675p

## New relay TV

THE Independent Broadcasting Authority's UHF television relay stations at Tomintoul, Banff, Scotland, and Hutton, near Weston-super-Mare, Avon, are due to begin transmissions on Friday. The Scottish station will carry Grampian Television programmes on Channel 43, and the Avon station will broadcast HTV West programmes on Channel 39.

## Growth plans

THE British Tourist Authority has organised a conference of 14 trans-Atlantic airline representatives in London on December 13 to discuss the expansion of travel on the U.S.-Britain air routes. The United Kingdom already receives twice as many American travellers as any other European country.

# COMPANY NOTICES

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER REPRESENTING "A" AND "B" ORDINARY SHARES OF

## PROVIDENT LIFE ASSOCIATION OF LONDON LIMITED

NOTICE is hereby given that a SEPARATE GENERAL MEETING of the "B" Ordinary Shareholders of Provident Life Association of London Limited will be held in Room 100 at the Great Eastern Hotel, Liverpool Street, London, EC2 at 12.00 noon on Friday, 29th December, 1978 for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION

**RESOLUTION**

That this Separate General Meeting of the holders of the "B" Ordinary Shares hereby sanctions all the modifications and variations involved in and to be effected by the Special Resolution to be proposed at the Extraordinary General Meeting of the Company intended to be held immediately after this meeting is concluded or adjourned.

Dated this 30th day of November, 1978

By Order of the Board
R. A. F. OSTIME, Secretary.

Only holders of the "B" Ordinary Shares may attend and vote at the meeting.

NOTICE is hereby also given that an EXTRAORDINARY GENERAL MEETING of the Company will be held in Room 100 at the Great Eastern Hotel, Liverpool Street, London, EC2 at 12.05 noon on Friday, 29th December, 1978 or so soon thereafter as the Separate General Meeting of the "B" Ordinary Shareholders convened for the same date and place has been concluded or adjourned, for the purpose of considering and, if thought fit, passing the following Resolution as a SPECIAL RESOLUTION

**RESOLUTION**

That, subject to and upon the sanction of the "B" Ordinary Shareholders having been given at the Separate General Meeting of such Shareholders convened for this day

(1) the existing 2,550,000 "A" Ordinary (Voting) Shares of 25p each and the 1,950,000 "B" Ordinary (Non-Voting) Shares of 25p each shall henceforth rank pari passu in all respects and shall be designated as Ordinary Shares of 25p each

(2) the authorised Share Capital of the Company be and it is hereby increased from £1,225,000 to £1,288,750 by the creation of 255,000 additional Ordinary Shares of 25p each.

(3) the Articles of Association of the Company be altered as follows
- (i) by deleting Article 4 and substituting therefore the following new Article "4. The capital of the Company at the time of the adoption of this Article as one of the Articles of Association is £1,288,750 divided into 20,000 Preference Shares of £5 each and 4,755,000 Ordinary Shares of 25p each. The shares of the respective classes shall entitle the holders thereof to the respective rights and privileges and subject them to the respective restrictions and provisions hereinafter appearing"
- (ii) by deleting the words "A" Ordinary Shares and "B" in Articles 5, 57, 61, 135 and 139.
- (iii) by the deletion of Article 6
- (iv) by renumbering Article 5 (A) as Article 5 and Article 5 (B) as Article 6
- (v) by deleting the symbol "A" from Article 72 and
- (vi) by deleting the last sentence of Article 61

(4) the sum of £63,750 being part of the unappropriated profits of the Company be capitalised and the Directors be authorised and directed to appropriate the said sum to the "A" Ordinary Shareholders registered at the close of business on the 8th December, 1978 in proportion to the number of "A" Ordinary Shares then held by them respectively and to apply such sum on their behalf in paying up in full 255,000 of the unissued Ordinary Shares in the capital of the Company, such shares to be allotted and distributed, credited as fully paid, to and amongst such holders in the proportion of 1 new Ordinary Share for every 10 "A" Ordinary Shares then held by them respectively and that the new Ordinary Shares to be issued pursuant to this Resolution will not rank for the interim dividend of 4.1p per share payable on 1st January, 1979 but will otherwise rank pari passu with the existing issued Ordinary Shares of the Company in all respects. Provided that any of such shares which would otherwise fall to be allotted in fractions shall be allotted in the name of the Secretary of the Company upon trust to sell the same for the benefit of the Company

Dated this 30th day of November, 1978

By Order of the Board
R. A. F. OSTIME, Secretary.

Only holders of the "A" Ordinary Shares may attend and vote at the meeting.

Holders of either "A" or "B" Ordinary Share Warrants may obtain copies of the circular letter sent to registered holders explaining the reasons for the proposed Resolutions from the Registered Office of the Company, 246 Bishopsgate, London EC2M 4QP

Holders of warrants representing either "A" Ordinary Shares or "B" Ordinary Shares who wish to attend their meeting and vote or to appoint a proxy to attend and vote on their behalf must instruct their Authorised Depositary* either: to obtain a form of certificate of deposit (details of how to obtain such a certificate are available from the Company) or to deposit their warrant(s) at the Registered Office of the Company.

* Authorised Depositaries are listed in the current issue of the Bank of England's Notice EC1 and include Banks and Stockbrokers in, and Solicitors practising in the United Kingdom, the Channel Islands or the Isle of Man.

NOTICE OF RATE OF INTEREST

## The Industrial Bank of Japan Finance Company N.V.

U.S. $50,000,000

Guaranteed Floating Rate Notes Due 1985

Payment of principal and interest unconditionally guaranteed by

## The Industrial Bank of Japan, Limited

(Kabushiki Kaisha Nippon Kogyo Ginko)

In accordance with the provisions of the Reference Agency Agreement between The Industrial Bank of Japan Finance Company N.V., The Industrial Bank of Japan, Limited, and Citibank, N.A., dated November 28, 1978, notice is hereby given that the Rate of Interest for the initial six-month interest period has been fixed at 12⅞% p.a., and that the interest payable on the relevant Interest Payment Date, June 1, 1979, against Coupon No. 1 will be U.S.$62.56 and has been computed on the actual number of days elapsed (182) divided by 360.

December 4, 1978
By: Citibank, N.A., London, Reference Agent

CITIBANK

## BARLOW RAND LIMITED

(Incorporated in the Republic of South Africa)

7¾% UNSECURED NOTES 1975/84
PAYMENT OF INTEREST

NOTICE IS HEREBY GIVEN that interest at the rate of 7¾% per annum for the six months ending 31 December, 1978 will be paid to the holders of the 7¾% Unsecured Notes 1975/84 who are registered in the company's register of noteholders at the close of business on 15 December, 1978. [illegible]

By Order of the Board,
W. J. Warriner
Secretary
1 December, 1978

| BUSINESS ADDRESS AND REGISTERED OFFICE: | TRANSFER SECRETARIES | UNITED KINGDOM REGISTRAR |
|---|---|---|
| Barlow Park, Katherine Street, Sandton, 2199 - South Africa. POSTAL ADDRESS: P.O. Box 78-2248, Sandton, 2146 - South Africa | Rand Registrars Ltd, 2nd Floor, Devonshire House, 49 Jorissen Street, Braamfontein, 2001 - South Africa. POSTAL ADDRESS: P.O. Box 31719, Braamfontein, 2017 - South Africa | Lloyds Bank Ltd., Registrar's Department, Goring-by-Sea, Worthing, West Sussex, BN12 6DA, England |

# MILLETTS LEISURE SHOPS LIMITED

(c) The Vendors have given appropriate indemnities against liability of the Company for income tax, surtax, capital transfer tax and estate duty arising prior to the date hereof (contract (17) below).

### 4. Directors' Shareholdings and Other Interests

(a) Immediately after completion of this Offer for Sale the beneficial interests of the Directors and their respective families in the issued share capital of the Company (as defined in the Companies Act 1967) will be as follows:—

| *Name of Director* | *Number of Ordinary shares* |
|---|---|
| A. C. Millett | 3,080,130 |
| F. A. Duchezeau | 37,500 |
| H. Bull | 37,500 |
| W. J. Sypel | 37,500 |
| J. C. Millett | 6,935 |
| N. M. Grimwood | 56,250 |
| V. O. M'Quillin | 7,500 |

In addition Mr. A. C. Millett and Mr. N. M. Grimwood have interests as trustees in 225,000 Ordinary shares held by a charitable trust. Save as mentioned above the Directors are not aware of any actual or prospective holding of five per cent. or more of the Company's issued share capital.

(b) Both Mr. A. C. Millett and Mr. F. A. Duchezeau are non-executive Directors of Zissman Bros. (Birmingham) Limited ("Zissman"), in which Mr. A. C. Millett owns a 25 per cent. interest. This interest was purchased by the Company for a nominal consideration on 30th June, 1978 and on 28th July, 1978 it was agreed to transfer the interest to Mr. A. C. Millett at its then market value, which will be paid when determined.

Zissman carries on business as a retailer of menswear. The Group has agreed to act from time to time as a commission buying agent for and a supplier to Bitterman and Zissman (Wholesale) Limited, an associated company of Zissman in which Mr. A. C. Millett has a similar interest. This activity represents less than one per cent. of Group turnover and it is considered that the business of Zissman and its associated company is not in direct competition with the Group.

(c) Save as herein disclosed, no Director has any material interest, direct or indirect, in any contract of significance in relation to the business of the Group now subsisting and no Director has had or has any interest direct or indirect in any assets which within the two years immediately preceding the date of publication of this Offer for Sale have been or are proposed to be acquired or disposed of by or leased to the Company or any subsidiary.

### 5. Articles of Association

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:—

(a) *Subject and without prejudice to any special rights, privileges or restrictions as to voting for* the time being attached to any special class of shares for the time being forming part of the capital of the Company, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by proxy or by a representative duly authorised under Section 139 of the Companies Act 1948, not being himself a member shall have one vote, and in the case of a poll every member present in person or by proxy shall have one vote for every 20p nominal amount of shares of any class of which he is the holder.

(b) The Directors shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate borrowings of the Group (exclusive of inter-company borrowings) shall not without the previous sanction of an Ordinary Resolution of the Company exceed twice the aggregate of the nominal amount of the issued and paid up share capital of the Company and the consolidated reserves (as defined in the Articles of Association).

(c) The Chairman and non-executive Directors of the Company shall be paid such remuneration (by way of fees) for their services as may be determined by the Board save that unless otherwise approved by the Company in General Meeting (i) the aggregate of such remuneration shall not exceed £10,000 per annum; (ii) the Chairman's remuneration shall not exceed £4,000 per annum; and (iii) the remuneration of any non-executive Director shall not exceed £3,000 per annum.

The Directors shall also be entitled to be repaid all travelling and hotel expenses incurred by them respectively in or about the performance of their duties as Directors.

If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director, the Board may pay him special remuneration in addition to any fees or ordinary remuneration.

(d) Subject to certain exceptions conforming with Stock Exchange requirements, a Director shall not vote at Board Meetings in respect of any contract or arrangement or other proposal whatsoever in which he has any material interest, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(e) The Board may appoint any one or more of the Directors to the office of Managing Director or other executive office of the Company for such period, at such remuneration and on such terms as it may think fit and no such Director shall be subject to retirement by rotation while he holds such office.

(f) *A Director may be appointed to any office or place of profit under the Company, except that of* Auditor, for such period on such terms and at such remuneration as the Board may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such office or place of profit or as vendor, purchaser or otherwise.

(g) The Board may establish and maintain or procure the establishment and maintenance of any pension or *superannuation funds for* the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are, or were at any time, in the employment or service of the Company or of any company which is a subsidiary of the Company or is allied or associated with the Company or with any such subsidiary company or who are, or were at any time, Directors or officers of the Company or of any such other company, and the wives, widows, families and dependants of any such persons.

(h) *The statutory provisions relating to an age limit for Directors do not apply.*

### 6. Material Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into within the two years preceding the date of this Offer for Sale and are or may be material:—

(1) Dated 14th March, 1977 between (i) R. & A. Millett (Shops) Limited ("Shops") and (ii) ATV Pension Fund Nominees Limited, being a contract for the sale by Shops of premises at 2 Peel Square, Barnsley for £144,000 and the lease back to Shops of such premises for a term of 25 years at a rent of £11,000 p.a. exclusive subject to review.

(2) Dated 6th May, 1977 between (i) C & A Pension Trustees Limited and (ii) Shops, being an underlease of premises at 110 North End, Croydon for a term of 25 years at a rent of £31,500 p.a. exclusive subject to review.

(3) Dated 15th December, 1977 between (i) Boots The Chemists Limited and (ii) Shops, being an agreement whereby Shops, subject to carrying out certain construction works (since completed), became entitled to an underlease of premises at 9, 11 and 13, Northgate Street, Chester for 25 years at a rent rising to £30,000 p.a. exclusive subject to review.

(4) Dated 17th April, 1978 between (i) The Northampton Development Corporation and (ii) Shops, being a contract whereby Shops, subject to carrying out the construction of warehouse premises, becomes entitled to a lease expiring on 29th January, 2073 at a rent of £9,450 p.a. (subject to review) of 2.7 acres of land adjoining its existing warehouse premises at Moulton Park, Northampton.

(5) Dated 23rd May, 1978 between (i) C. E. Lloyd and others and (ii) Shops, being a contract for the purchase by Shops of the freehold reversionary interest in premises at 26 Gentleman's Walk, Norwich, for £225,000.

(6) Dated 21st June, 1978 between (i) Shops and (ii) Prudential Nominees Limited, being a contract for the sale by Shops of premises at 26 Gentleman's Walk, Norwich for £330,000 and the lease back to Shops of such premises for a term of 25 years at a rent of £16,500 p.a. exclusive subject to review.

(7) Dated 14th June, 1978 between (i) Milletts (Home Counties) Limited (ii) Shops (iii) Messrs. M. and A. Talson and (iv) Mr. A. C. Millett, being an agreement for the sale to Shops of leasehold premises at 54 Park Street, Luton and other assets of the business carried on at those premises at a price of £40,000 plus stock at valuation up to £6,500. Mr. A. C. Millett, who was up to the date of the contract a Director of the vendor company, also agreed to sell to Messrs. M. and A. Talson at cost his one third share in its issued equity share capital.

(8) Dated 30th June, 1978 between (i) Shops and (ii) Wincott Galliford Limited, being a contract for the carrying out of construction works on the premises described in contract (4) above at a contract sum of £331,150.

(9) Dated 21st August and 7th September, 1978 between the solicitors for (i) Standard Life Pension Funds Limited and (ii) Shops, being an exchange of letters constituting an agreement for an underlease to Shops of premises at 12 Frederick Street, Edinburgh for a term of 25 years at a rent of £31,000 p.a. exclusive subject to review.

(10) Dated 13th October, 1978 between (i) B. Rogers Knight (Stratford on Avon) Limited and (ii) Shops, being a contract for the purchase by Shops of freehold premises at 37 High Street, Stratford-upon-Avon, at a price of £283,800 for completion on 30th March, 1979.

(11) Dated 27th November, 1978, being five instruments between Black & Edgington Limited and/or Garryglass Limited (to be re-named Millett Shops Scotland Limited), and the Company or Shops, together with the new Articles of Association of Garryglass Limited adopted on that date, relating to the establishment of the joint venture in Scotland between the Group and Black & Edgington Limited.

(12) to (16) Dated 30th November, 1978 between (i) the Company and (ii) Messrs. A. C. Millett, F. A. Duchezeau, H. Bull, W. J. Sypel, and J. C. Millett respectively, being service agreements, each for a term of five years from 1st December, 1978, at salaries (inclusive of Directors' fees but, except in the case of Mr. A. C. Millett, exclusive of entitlements under the Group profit sharing scheme) of £25,000 p.a., £16,000 p.a., £13,500 p.a., £13,500 p.a. and £11,000 p.a. respectively.

(17) Dated 30th November, 1978 between (i) Mr. A. C. Millett and others, (ii) the Directors of the Company, (iii) the Company and (iv) the Bank, being the contract mentioned in paragraph 2 above.

### 7. The Company and its subsidiaries

The Company was incorporated in England on 3rd March, 1964, as a private company limited by *shares, under the Companies Act, 1948, (No. 794310), with the name of R. & A. Millett (Shops) Limited.* On 27th October, 1971, its name was changed to R. & A. Millett (Holdings) Limited. On 25th October, 1978, the Company changed its name to Milletts Leisure Shops Limited. The Company has the following active trading subsidiaries, all of which are wholly owned:—

| | *Incorporated in* | *Date* | *Issued Capital* |
|---|---|---|---|
| R. & A. Millett (Shops) Ltd. | England | 15th December, 1951 | £1,000 |
| Milletts of Jersey Ltd. | Jersey | 24th March, 1972 | £9 |
| Milletts of Guernsey Ltd. | Guernsey | 25th April, 1972 | £7 |

In addition the Company has 15 dormant subsidiary companies, none of which has traded since 1st February, 1973.

### 8. Miscellaneous

(a) During the two years immediately preceding the date of publication of this Offer for Sale:—

(i) Save as otherwise mentioned herein, no share or loan capital of the Company or any subsidiary has been issued for cash or for a consideration other than cash (other than issues by subsidiaries to the Company) and no such capital of the Company or any subsidiary is now proposed to be issued;

(ii) Save as otherwise mentioned herein, no commissions, discounts, brokerages or other special terms have been granted by the Company or any subsidiary in connection with the issue or sale of any part of their respective share or loan capitals;

(b) No share or loan capital of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option.

(c) *The minimum sum which in the opinion of the Directors must be raised by the issue of the new* Ordinary shares is £240,000, which will be required to provide for the estimated expenses payable by the Company in connection with this Offer for Sale. No other amounts are required to be provided for any of the purposes specified in paragraph 4 of Part 1 of the Fourth Schedule to the Companies Act 1948.

(d) Neither the Company nor any subsidiary is engaged in any litigation or arbitration proceedings of material importance nor, so far as the Directors are aware, has any litigation or claims of material *importance pending or threatened against it.*

(e) Details of the service agreements of the executive Directors are set out in paragraph 6 above. Mr. N. M. Grimwood receives fees in connection with his professional services to the Company. Save as aforesaid no Director has any contract of service with the Company or any subsidiary nor is any proposed. The aggregate emoluments of the executive and non-executive Directors in the year ended 30th January, 1978 were £73,000. Under the arrangements now in force the aggregate emoluments of the Directors for the current *financial year ending 29th January, 1979 will amount to £93,000.*

(f) The documents attached to this Offer for Sale delivered to the Registrar of Companies were (i) copies of the contracts listed above; (ii) the statement of adjustments made by the Auditors and Reporting Accountants in arriving at the figures shown in their Report and giving the reasons therefor; and (iii) the written consents referred to below.

(g) The balance of the authorised but unissued share capital of the Company will be £260,000. The Directors have no present intention of issuing any of this capital and no issue will be made which could effectively alter control of the Company or the nature of its business without the prior approval of the shareholders in general meeting. No material issue of shares (other than to shareholders *pro rata* to existing holdings) will be made within one year without the prior approval of the shareholders in general meeting.

### 9. Consents

Peat, Marwick, Mitchell & Co. have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion herein of the Accountants' Report and references thereto and their letter regarding the profit forecast in the form and context in which they are included.

Healey & Baker have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion herein of references to their Property Valuation in the form and context in which they are included.

The Bank has given and has not withdrawn its written consent to the issue of this Offer for Sale with the inclusion herein of its letter regarding the profit forecast in the form and context in which it is included.

### 10. Documents for Inspection

Copies of the following documents may be inspected at the offices of Travers Smith, Braithwaite & Co., 6 Snow Hill, London EC1A 2AL, during usual business hours on any weekday (except Saturdays and public holidays) for a period of fourteen days from the date of publication of this Offer for Sale.—

(i) The Memorandum and Articles of Association of the Company.
(ii) The Audited Accounts of the Company and its subsidiaries for the two years ended 30th January, 1978 and the six months ended 31st July, 1978.
(iii) *The Accountants' Report together with the statement of adjustments.*
(iv) The above-mentioned Property Valuation.
(v) The letters relating to the profit forecast.
(vi) The contracts listed in paragraph 6 above.
(vii) The consents listed in paragraph 9 above.

Dated 30th November, 1978.

## PROCEDURE FOR APPLICATION

**Applications must be for a minimum of 200 shares** and must be made on the forms provided, in accordance with the terms thereof, and must be for the following multiples:—

| | |
|---|---|
| Applications for not more than 1,000 shares | in multiples of 200 shares |
| Applications for over 1,000 shares and not more than 5,000 shares | in multiples of 500 shares |
| Applications for over 5,000 shares and not more than 20,000 shares | in multiples of 1,000 shares |
| Applications for over 20,000 shares | in multiples of 5,000 shares |

Preferential consideration will be given to applications made by employees (including executive Directors other than vendor Directors) of the Company and its subsidiaries on the special pink forms available to them, up to a maximum of 170,756 shares. Such applications must be for a minimum of 100 shares and in multiples of 100 shares.

**Applications must be forwarded to County Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London, EC2P 2BD, so as to arrive not later than 10 a.m. on Thursday, 7th December, 1978. Cheques, which must be drawn on a bank, or branch thereof, in and be payable in England, Scotland or Wales, or drawn on a clearing bank branch in the Channel Islands or the Isle of Man, must be made payable to "County Bank Limited" and crossed "Not Negotiable".**

County Bank Limited reserves the right to present all cheques for payment on receipt and to retain Letters of Acceptance and excess application moneys pending clearance of applicants' cheques. Due completion and delivery of an Application Form, accompanied by the necessary cheque, shall constitute an undertaking that the cheque will be honoured on first presentation; a warranty to that effect is contained in the Application Form. County Bank Limited reserves the right to reject any application in whole or in part and, in particular, to reject applications which in its opinion are multiple applications.

Acceptance of applications will be conditional upon the Council of The Stock Exchange admitting to the Official List the whole issued share capital of the Company not later than 15th December, 1978. Moneys paid in respect of applications will be returned if such admission is not granted by that date and in the meantime will be retained in a separate bank account. If any application is not accepted, or is accepted for fewer shares than the number applied for, the application moneys or the balance thereof, as the case may be, will be returned by cheque through the post at the applicant's risk.

*Arrangements have been made for the registration by the Company of the shares now offered for* sale free of stamp duty and registration fees in the names of the persons entitled thereto under the terms of the Letters of Acceptance, which will be renounceable up to and including 17th January, 1979. Share Certificates will be despatched on 16th February, 1979.

Copies of this Offer for Sale with Forms of Application may be obtained from:—

**County Bank Limited**
11 Old Broad Street,
London EC2N 1BB.

86 King Street,
Manchester M2 4NR.

1 Randolph Crescent,
Edinburgh EH3 7TH.

Wellesley House,
37 Waterloo Street,
Birmingham B2 5JT.

West Riding House,
67 Albion Street,
Leeds LS1 5AA.

New Issues Department,
Drapers Gardens,
12 Throgmorton Avenue,
London EC2P 2BD.

**W. I. Carr, Sons & Co.,**
Ocean House,
10/12 Little Trinity Lane,
London EC4P 4LB.

**Milletts Leisure Shops Limited,**
Millett House,
Summerhouse Road,
Moulton Park,
Northampton NN3 1XQ.

**THE APPLICATION LIST WILL OPEN AT 10 a.m. ON THURSDAY, 7TH DECEMBER, 1978 AND WILL CLOSE AT SUCH LATER TIME ON THE SAME DAY AS COUNTY BANK LIMITED MAY DETERMINE.**

# MILLETTS LEISURE SHOPS LIMITED

## Offer for Sale

## BY COUNTY BANK LIMITED OF

1,707,560 Ordinary shares of 20p each at 110p per share payable in full on application

### FORM OF APPLICATION

*To* COUNTY BANK LIMITED

| **Number of shares for which application is made* | *Amount of cheque enclosed* |
|---|---|
| | £ |

Gentlemen,

Having paid the above-mentioned sum being the amount payable on application for the stated number of Ordinary shares I/we hereby apply to purchase that number of shares.

I/We agree to accept such shares or any smaller number in respect of which this application may be accepted subject to the Memorandum and Articles of Association of the Company and to the several terms and conditions contained in the Offer for Sale dated 30th November, 1978. I/We request that you issue to me/us a renounceable Letter of Acceptance for that number of shares or such smaller number as aforesaid. I/We authorise you to send such Letter of Acceptance, together with a cheque for any amount overpaid, by post at my/our risk to the address (first) given below.

**I/We warrant that the accompanying cheque will be paid on first presentation.**

***I/We declare that I am/we are not resident outside the Scheduled Territories† and* am/are not applying for the above-mentioned shares as nominee(s) of any person(s) resident outside those Territories.**

(If this declaration cannot be made, it must be deleted and reference must be made to an Authorised Depositary‡ or to an Approved Agent in the Republic of Ireland‡ through whom this form must be lodged.)

*Dated* ______________, 1978.

*First or Sole Applicant* (1) *Usual Signature* ______________

*All Christian Names or Forenames*
*Surname (State Mr., Mrs., Miss or Title)*
*Address in full (including postcode)*
**Please Use Block Letters**

A corporation may complete under hand by a duly authorised officer who should state his representative capacity.

*All joint applicants must sign.*

### JOINT APPLICANTS (if any)

(2) *Signature* ______________
*All Christian Names or Forenames* ______________
*Surname* (Mr., Mrs., Miss or Title) ______________
*Address in full (including postcode)* ______________

(3) *Signature* ______________
*All Christian Names or Forenames* ______________
*Surname* (Mr., Mrs., Miss or Title) ______________
*Address in full (including postcode)* ______________

(4) *Signature* ______________
*All Christian Names or Forenames* ______________
*Surname* (Mr., Mrs., Miss or Title) ______________
*Address in full (including postcode)* ______________

### A separate cheque must accompany each application

**Instructions:—**

1. Cheques (drawn on a bank, or branch thereof, in and payable in England, Scotland or Wales or drawn on a clearing bank branch in the Channel Islands or the Isle of Man) must be made payable to "County Bank Limited" and crossed "Not Negotiable".

2. This form should be completed and sent to County Bank Limited, New Issues Department, PO Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD together with a remittance of 110p per share on the number of shares applied for, so as to reach it not later than 10 a.m. on Thursday, 7th December, 1978.

3. No receipt will be issued for the amount paid on application but an acknowledgement will be forwarded either by renounceable Letter of Acceptance (together, if applicable, with a cheque for any amount overpaid) or by return through the post of a cheque for the amount paid on application.

**Definitions:—**

EXCHANGE CONTROL ACT 1947

†*The Scheduled Territories at present comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.*

‡Authorised Depositaries are listed in the current issue of the Bank of England's Notice EC1 and include most banks and stockbrokers in, and solicitors practising in, the United Kingdom, the Channel Islands or the Isle of Man. An Approved Agent in the Republic of Ireland is defined in the current issue of the Bank of England's Notice EC10 as a bank in the Republic of Ireland, a member in the Republic of Ireland of The Stock Exchange or a solicitor practising in the Republic of Ireland.

***Applications must be for a minimum of 200 shares and thereafter in multiples of 200 shares up to 1,000 shares; thereafter in multiples of 500 shares up to 5,000 shares; thereafter in multiples of 1,000 shares. Applications in excess of 20,000 shares must be in multiples of 5,000 shares.**

# FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

[illegible]

### Five to Fifteen Years

[illegible]

### Over Fifteen Years

[illegible]

### Undated

[illegible]

## INTERNATIONAL BANK

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH & AFRICAN LOANS

[illegible]

## LOANS

### Public Board and Ind.

[illegible]

### Financial

[illegible]

## FOREIGN BONDS & RAILS

| Interest Due | | Stock | Price £ | Last xd | Div % Gross | Red Yield |
|---|---|---|---|---|---|---|
| — | | Antofagasta Rly | 23½ | 87 | — | — |
| 1J | 1J | Do. 5pc Pref | 39½d | 15 11 | — | — |
| 1J | 1J | Chilean Mixed | 98 | 3 7 | — | †3.10 |
| 1J | 1D | German Yng. 4½pc | 411 | 1 6 | 4½ | — |
| 1M | 1N | Greek 7pc Ass | 50 | 1 11 | 3½ | †7.20 |
| 1F | 1A | Do 6pc 28 Stab. Ass | 49 | 1 8 | 6 | 16.24 |
| 1A | 1O | Do 4pc Mixed Ass | 40 | 3 7 | 4 | 15.13 |

## BONDS & RAILS—Cont.

[illegible]

U.S. $ & DM prices exclude inv. $ premium

## AMERICANS

[illegible]

S.E. List Premium 22½% (based on US$1.9370 per £)
Conversion factor 0.7538 (0.7510)

## CANADIANS

[illegible]

S.E. List Premium 33½% (based on $2.2617 per £)

## BANKS AND HIRE PURCHASE

| Dividends Paid | | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |
| Dec | July | Hambros | 164xd | 27 11 | †9.76 | — | 8.9 | — |
| Dec | July | Hill Samuel | 86 | 13 11 | †4.97 | — | 8.6 | — |
| | | Do. Warrants | 200 | — | — | — | — | — |
| Sept | Mar | Hong Shng $2.50 | 245 | 4 9 | h$2.59c | — | [illegible] | — |
| June | Nov | Jessel Toynbee | 62 | 30.10 | †h3.32 | — | 8.0 | — |
| Jan | June | Joseph (Leo) £1 | 150xd | 27 11 | 8.74 | — | [illegible] | — |
| Feb | Aug | Keyser Ullmann | 48 | 30 5 | 0.67 | — | [illegible] | — |
| June | Dec | King & Shax 20p | 65 | 15 5 | 3.44 | — | 8.0 | — |
| May | Nov | Kleinwort B.L. | 92 | 2 10 | †4.18 | — | 6.8 | — |
| Aug | Apr | Lloyds £1 | 275 | 24 7 | †9.23 | 4.6 | 5.0 | 6.2 |

## BANKS & HP—Continued

[illegible]

### Hire Purchase, etc.

[illegible]

## BEERS, WINES AND SPIRITS

[illegible]

## BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## CHEMICALS, PLASTICS—Cont.

[illegible]

## DRAPERY AND STORES

[illegible]

## ELECTRICAL AND RADIO

[illegible]

## ENGINEERING MACHINE TOOLS

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC.

[illegible]

## FOOD, GROCERIES—Cont.

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]


# FINANCIAL TIMES

*BRACKEN HOUSE, 10, CANNON STREET, LONDON EC4P 4BY*

**Telex: Editorial 886341/2, 883897. Advertisements: 885033. Telegrams: Finantimo, London PS4.**

**Telephone: 01-248 8000.**

***For Share Index and Business News Summary in London, Birmingham,***

**Liverpool and Manchester. Tel: 246 8026**

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## MINES—Continued

### AUSTRALIAN

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| — | Acmex 25c | 10 | — | — | — | — |
| Nov. Apr. | Bougainville 50 Toea | 115 | 14.3 | †Q8c | 1.4 | 4.4 |
| — | BH South 50c | 107 | 9.74 | — | — | — |
| — | Central Pacific | 400 | — | — | — | — |
| Oct. May | Conzinc Riotinto 50c | 268 | 14.3 | ‡Q10c | 2.2 | ‡ |
| — | Endeavour 20c | 16 | — | — | — | — |
| — | G.M. Kalgoorlie $1 | 54 | 6.67 | — | — | — |
| — | Haoma Gold N.L. | 32 | — | — | — | — |
| September | Hampton Areas 5p | 140 | 10.7 | t3.55 | 2.0 | 3.8 |
| — | Metals Ex. 50c | 27 | — | — | — | — |
| Dec. Apr. | M.I.M. Hldgs. 50c | 199 | 26.10 | Q9c | 1.7 | 2.9 |
| — | Minefields Expl. | 15 | — | — | — | — |
| — | Mount Lyell 25c | 29 | — | — | — | — |
| — | Newmetal 10c | 4½ | — | — | — | — |
| June Nov | North B. Hill 50c | 99 | 13.11 | Q8c | 1.3 | 5.0 |
| — | Nth. Kalgurli | 10½ | — | — | — | — |
| — | Nth. West Mining | 28 | — | — | — | — |
| June Nov. | Oakbridge $A1 | 115 | 7.4 | Q12c | 1.9 | 13.0 |
| — | ††Otter Min N.L. | 24 | — | — | — | — |
| — | Pacific Copper | 56 | — | — | — | — |
| — | Pancontl 25c | 775 | — | — | — | — |
| — | Paringa M&Ex 5p | 17 | — | — | — | — |
| Apr. Oct. | Peko-Wallsend 50c | 422 | 19.9 | Q15c | ϕ | 2.2 |
| — | Southern Pacific | 160 | — | — | — | — |
| Oct. May | Westn. Mining 50c | 123 | 4.9 | Q3c | 0.7 | 1.5 |
| — | Whim Creek 20c | 90 | — | — | — | — |

### TINS

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Nov. Apr. | Amal. Nigeria | 24 | 18.9 | 2.81 | 1.3 | 17.4 |
| Apr. Oct. | Ayer Hitam $M1 | 305 | 2.10 | Q300c | 0.5 | 21.1 |
| Apr. Oct. | Beralt Tin | 55 | 6.8 | t4.0 | 4.4 | 11.4 |
| Jan. July | Berjuntai $M1 | 205 | 24.7 | Q110c | 1.0 | 11.5 |
| Feb. Oct. | Geevor | 165 | 7.8 | 5.04 | 5.8 | 4.6 |
| — | Gold & Base 12½p | 10 | 10.74 | — | — | — |
| June Dec | Gopeng Cons. | 300 | 30.10 | †15.36 | 0.9 | 7.6 |
| — | Hongkong | 310 | 11.67 | 12.5 | ϕ | 6.0 |
| May Nov. | Idris 10p | 78 | 24.7 | ‡12.0 | 1.6 | ‡ |
| — | Jantar 12½p | 9½ | 4.67 | — | — | — |
| — | Kamunting $M0.50 | 64 | 4.9 | Q12½c | 2.1 | 4.2 |
| Jan. July | Killinghall | 640 | 10.7 | Q128.3c | ϕ | 22.9 |
| April | Malay Dredging $M1 | 365xd | 27.11 | Q175c | ϕ | 10.3 |
| — | ‡Pahang | 44 | 9.75 | Q0.62c | ϕ | 0.3 |
| Mar. Sept. | Pengkalen 10p | 65 | 30.10 | 6.60 | 1.3 | 15.2 |
| June. Jan. | Petaling $M1 | 220 | 12.6 | Q120c | ϕ | 12.4 |
| Mar Oct. | Saint Piran | 80 | 4.9 | 2.03 | 6.5 | 3.8 |
| February | South Crofty 10p | 63 | 10.7 | 4.19 | 2.8 | 9.9 |
| Jan. July | South Kinta $M0.50 | 185 | 4.9 | ‡Q145c | 0.6 | 16.8 |
| June Jan. | Sthn Malayan $M1 | 280xd | 27.11 | †Q171.3c | 1.1 | 10.1 |
| — | Sungei Besi $M1 | 200 | 26.6 | Q65c | 5.3 | 7.0 |
| — | Supreme Corp. $M1 | 68 | 9.74 | ZQ10c | — | 3.2 |
| May Nov. | Tanjong 15p | 90 | 24.7 | 6.60 | 0.8 | 10.9 |
| Sept. Mar | Tongkah Hrbr $M1 | 82 | 12.12 | Q55.8c | 0.7 | 9.8 |
| Apr. Oct. | Tronoh $M1 | 195 | 2.10 | ‡Q88c | 1.6 | ‡ |

### COPPER

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| June Dec. | Messina R0.50 | 55 | 12.12 | †Q30c | 1.9 | ‡ |

### MISCELLANEOUS

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| — | Botswana | 60 | — | — | — | — |
| — | Burma Mines 17½p | 13 | 5.75 | — | — | — |
| Aug. Feb | Cons. Murch. 10c | 185 | 3.1 | ‡Q30c | 2.6 | ‡ |
| November | Northgate C$1 | 430 | 30.9 | — | — | — |
| Jan. June | R.T.Z. | 240 | 30.10 | 9.5 | 2.8 | 5.9 |
| — | Sabina Inds. C$1 | 46 | — | — | — | — |
| — | Tara Exptn. $1 | 693 | — | — | — | — |
| October | Yukon Cons. C$1 | 134 | 15.9 | Q7c | 2.9 | 2.5 |

## GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Feb Aug | Buffels R1 | $10¼ | 26.6 | Q170c | 1.8 | 19.1 |
| Aug. Feb. | East Dne R1 | 845c | 26.6 | †Q78c | 1.7 | 10.6 |
| Aug. Feb. | East Rand Prp R1 | 370c | 28.6 | — | — | — |
| June Dec. | F.S. Geduld 50c | $17⅝ | 30.10 | Q315c | ϕ | 20.9 |
| June Dec. | Pres. Brand 50c | $10½ | 30.10 | Q150c | ϕ | 16.5 |
| May Nov. | St. Helena R1 | 988c | 2.10 | Q190c | ϕ | 22.2 |
| Aug Feb. | Stilfontein 50c | 380c | 26.6 | †Q22c | 2.3 | 6.7 |
| Aug. Feb. | Vaal Reefs 50c | $16¾ | 7.8 | Q115c | 3.3 | 7.9 |
| Feb Aug. | West Dne R1 | $27½ | 26.6 | Q385c | 1.7 | 16.1 |
| June Dec. | West Hldgs. 50c | $20½ | 2.5 | Q415c | ϕ | 23.4 |
| Feb. Aug. | Western Deep R2 | 962c | 7.8 | Q82.5c | 2.4 | 9.9 |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ● Not comparable
- ♦ Same interim: reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ◆ Regional price
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 33

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## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| | | |
|---|---|---|
| Albany Inv. 20p | 26 | ...... |
| Ash Spinning | 66xd | ...... |
| Bertam | 15 | ...... |
| Bdg wtr. Est. 50p | 323 | ...... |
| Clover Croft | 28 | ...... |
| Craig & Rose £1 | 615 | ...... |
| Dyson (R. A.) A | 35 | ...... |
| Ellis & McHdy | 64 | ...... |
| Evered | 24 | ...... |
| Fife Forge | 52 | ...... |
| Finlay Pkg. 5p | 21 | ...... |
| Graig Ship £1 | 140 | ...... |
| Higsons Brew. | 74xd | ...... |
| Holt (Jos) 25p | 252 | ...... |
| I.O.M. Stm. £1 | 180 | ...... |
| N'thn. Goldsmith | 70xd | ...... |
| Pearce (C. H.) | 190 | ...... |
| Peel Mills | 21 | ...... |
| Sheffield Brick | 55 | ...... |
| Sheff. Refrshmt. | 67xd | ...... |
| Sindall (Wm.) | 117 | ...... |

### IRISH

| | | |
|---|---|---|
| Conv. 9% '80/82 | £90¾ | +⅛ |
| Alliance Gas | 103 | ...... |
| Arnott | 352 | ...... |
| Carroll (P.J.) | 100 | ...... |
| Clondalkin | 105 | −5 |
| Concrete Prods. | 130 | ...... |
| Heiton (Hldgs.) | 46 | ...... |
| Ins. Corp. | 160 | ...... |
| Irish Ropes | 105 | ...... |
| Jacob | 58 | −4 |
| T.M.G. | 185 | ...... |
| Unidare | 85 | ...... |

## OPTIONS

### 3-month Call Rates

**Industrials**

| | |
|---|---|
| A. Brew | 6½ |
| A.P. Cement | 18 |
| B.S.R. | 9 |
| Babcock | 11 |
| Barclays Bank | 25 |
| Beecham | 35 |
| Boots | 15 |
| Bowaters | 16 |
| B.A.T. | 24 |
| British Oxygen | 6 |
| Brown (J.) | 20 |
| Burton 'A' | 12 |
| Cadburys | 5 |
| Courtaulds | 10 |
| Debenhams | 8 |
| Distillers | 15 |
| Dunlop | 7 |
| Eagle Star | 11 |
| E.M.I. | 14 |
| Gen. Accident | 17 |
| Gen. Electric | 26 |
| Glaxo | 40 |
| Grand Met. | 4 |
| G.U.S. 'A' | 20 |
| Guardian | 18 |
| G.K.N. | 22 |
| Hawker Sidd. | 20 |
| House of Fraser | 12 |
| I.C.I. | 20 |
| "Imps" | 6 |
| I.C.L. | 20 |
| Inveresk | 8 |
| KCA | 3 |
| Ladbroke | 17 |
| Legal & Gen. | 14 |
| Lex Service | 7 |
| Lloyds Bank | 22 |
| "Lofs" | 4 |
| London Brick | 5 |
| Lonrho | 5 |
| Lucas Inds. | 25 |
| Lyons (J.) | 10 |
| "Mams" | 7 |
| Mrks & Spncr | 10 |
| Midland Bank | 25 |
| N.E.I. | 12 |
| Nat. West Bank | 22 |
| Do. Warrants | 10 |
| P & O Dfd. | 8 |
| Plessey | 8 |
| R.H.M. | 5 |
| Rank Org. 'A' | 18 |
| Reed Intnl. | 12 |
| Spillers | 3 |
| Tesco | 4 |
| Thorn | 22 |
| Trust Houses | 15 |
| Tube Invest. | 30 |
| Unilever | 35 |
| Utd. Drapery | 7½ |
| Vickers | 15 |
| Woolworths | 5 |

**Property**

| | |
|---|---|
| Brit. Land | 3¼ |
| Cap. Counties | 4½ |
| E.P. | 5 |
| Intereuropean | 4 |
| Land Secs. | 16 |
| MEPC | 12 |
| Peachey | 8 |
| Samuel Props. | 9 |
| Town & City | 1¼ |

**Oils**

| | |
|---|---|
| Brit. Petroleum | 45 |
| Burmah Oil | 5 |
| Charterhall | 3 |
| Shell | 28 |
| Ultramar | 20 |

**Mines**

| | |
|---|---|
| Charter Cons. | 12 |
| Cons. Gold | 14 |
| Rio T. Zinc | 16 |

FINANCIAL TIMES
Monday December 4 1978



# Namibia poll tension rises after arrests

BY QUENTIN PEEL

WINDHOEK, Dec. 3.

SIX LEADERS of the South West Africa People's Organisation (SWAPO) were arrested here today by the South African police on the eve of polling in the South African-supervised Namibian elections. The arrests follow two bomb blasts in the capital yesteday.

The six, including Mr. Daniel Tjongarero, the internal leader and vice-president of the black nationalist movement, are being held under the indefinite detention provisions of the South African Terrorism Act, according to the police.

Fifteen people were hurt in the explosions, one in a parked car and the other in a crowded supermarket. None of the injuries were said to be serious, although two people were detained in hospital, but the explosions caused a dramatic increase in tension just before the disputed elections, which are being held in defiance of the United Nations.

## Backlash

Although SWAPO in Windhoek has denied any involvement with the bombings, Major General Victor Verster, the Police Commissioner in the territory, said that there was "no doubt" about a connection. He said the explosives used were Soviet-made and the same as those employed in two incidents of sabotage in other parts of the country this year, for which SWAPO guerrillas have been jailed.

In spite of the attribution of blame to SWAPO, there is some doubt among observers here about what the organisation has to gain from such violence or from the backlash which it has precipitated.

The SWAPO arrests brought immediate protests, and a rally of 4,000 supporters in the black township of Katatura. They were urged to boycott the coming election and chanted liberation songs at the handful of police at the meeting.

"The time for decision has come," one speaker told the rally. "They don't want our leaders to speak to us. For every leader taken, there are hundreds to take their place."

The sudden violence has transformed the final run-up to the election, with the possibility of further widespread arrests of SWAPO members. The organisation claimed that some 80 young members were detained yesterday after a demonstration in Windhoek was broken up by police. General Verster said the demonstration and the bomb blasts were clearly linked.

There was another violent incident yesterday at the final election rally of the Democratic Turnhalle Alliance, the ethnically-based coalition which is expected to win the election. Two shots, which almost started a riot at the meeting, were fired by a white policeman at a Black Alliance security guard—a vivid illustration of the latent tension.

There is little doubt that the Alliance will win the election, with an absolute majority. Its only serious competitor is Aktur, a largely white grouping based on the ruling National Party, but lacking any significant black support. One noticeable feature of the rival rallies was the preponderance of older supporters of the Alliance, while the SWAPO rally attracted a much younger crowd.

The election is officially being staged to select a constituent assembly in the territory, although Judge M. T. Steyn, the South African Administrator General, remains the supreme authority. However, senior South African officials suggest that the elected assembly will have the final say on whether or not a second round of UN-supervised elections will be held in Namibia next year. The present election lasts from tomorrow until Friday. A result is not expected before the end of next week.

Feature Page 31

# Crisis talks on Shah's future

BY ANDREW WHITLEY

TEHRAN, Dec. 3.

ALMOST CONTINUOUS crisis meetings are taking place at the highest level in Tehran, where violence at the weekend involving opponents of the Shah, has left hundreds killed or injured.

The official casualty figures for the two days since Friday evening, the start of the mourning month of Moharram, are 12 dead and 56 wounded. However, overwhelming evidence shows that the toll has been much higher.

Each night after the 9 pm curfew, thousands of people all over the city have come out on to their balconies and roofs to shout age-old Islamic chants, interspersed with anti-Shah slogans.

The Army is said to be under orders to limit casualties as far as possible, but faced with the strong wave of emotion gripping Tehran, many people are inevitably being killed or hurt.

Meanwhile, visitors have been streaming to the Shah's palace in north Tehran. Informed sources believe that the Shah's future is one of the key subjects under discussion, with reported divisions of opinions among the generals on the best course

Moves are also thought to be continuing on setting up a new civilian Government, which might command genuine public respect and end the bloodshed. A list of 80 top personalities is understood to have been drawn up by the court and other political brokers and many are thought to have met the Shah recently to try to evolve a workable formula.

Secrecy about the moves is tight, in keeping with the military Government's attitude of controlling information as far as possible. However, Mr. Ardeshir Zahedi, the Shah's son-in-law and close confidant, is known to have slipped back into town from his post as Ambassador to Washington, and may well be playing a key role.

In Parliament today the Government faced three separate censure motions over its handling of the weekend's violence. Two motions were submitted by the main Opposition faction in the Majlis, the Pan Iranist and Mr. Bani Ahmad's Unity for Liberty Party. The third came from a previously little-known deputy.

Mr. Bani Ahmad strongly criticised the Government, accusing it of murder and speaking of unprecedented crimes committed in the name of "order." He asked how much killing occurred in Tehran last Friday night and demanded punishment for those responsible.

Yesterday the National Front, the main political opposition, bitterly denounced the "massacre" on the first night of Moharram. Although it is not clear whether the statement has the full backing of the Front leaders, they said that Friday was the start of a holy war, or Jihad, against the regime.

So far, similar trouble in the provinces has not been reported officially. Opposition sources, however, say that disturbances of the same sort as Tehran's have taken place in at least eight cities.

Continued from Page 1

# Britain and EMS

ally damaging unless they receive big concessions, chiefly in subsidised EEC investment aid.

Italian participation has been made more likely since other governments agreed that the lira would be allowed a 6 per cent fluctuation margin either side of its central parity, instead of the 2.25 per cent band within which other currencies will move.

Ireland has refused a wider band, fearing that its currency would be the target of speculation if it were cut loose from sterling. Both governments hope that an aid package will be agreed at the summit.

However, Italy at least is concerned that its case may be overshadowed by discussion of Britain's demands for a wholesale reform

Faced with the prospect of overtaking West Germany as the single largest contributor to the Budget by 1980, the UK is seeking from the summit a commitment on changes. But insofar as a review would affect the agricultural policy, which accounts for three quarters of EEC spending, the demands are unlikely quickly to find favour.

Britain and Italy will also press for a big increase in next year's EEC regional fund, although the Germans and French oppose that. The dispute must be settled at the summit to permit next year's EEC Budget to go ahead.

The tone of this week's discussions might be affected critically by the dispute between Britain and its partners over fisheries policies. If Mr. Callaghan were to open the door to a final settlement, that would undoubtedly help to clear the atmosphere at the summit.

Other issues with which the heads of Government are expected to deal include difficulties in the Tokyo Round trade liberalisation talks, where a dispute between the U.S. and the EEC is delaying conclusion. They are also to decide on President Giscard's proposal that a three-man committee be established to report on the consequences of enlarging the EEC.

FT Monthly Survey of Business Opinion

# Employers ready to take tough line on pay rises

EMPLOYERS ARE claiming they are prepared to adopt a fairly tough line on pay increases, according to the latest Financial Times monthly survey of business opinion.

The findings mirror those of the Confederation of British Industry's November survey, published last week. This concluded that consumer spending was continuing to raise the level of demand for goods in manufacturing industry, althoupgh the survey was overshadowed by fears of industrial unrest over negotiations.

Employers covered by the FT survey were more inclined to see wage increases of between 5 and 9 per cent rather than the higher ranges they had expected previously. The Government's pay policy appeared to be a key element in this change.

Companies which said they would resist pay claims in all three of the sectors surveyed this month—building and construction; food and tobacco; and textiles and clothing—indicated that their vulnerability to Government sanctions was a factor.

The prospect of a winter of wage disputes was the main reason for a fairly sharp drop in the index measuring the level of optimism over the course of the UK economy.

The current position of companies remained fairly healthy. Recent deliveries and new orders continued at the high levels achieved in the previous month. There was also a significant increase in the number of companies which said they were working at, rather than below, planned output levels.

However, there was a greater tendency for companies to say their level of stocks was too high in relation to current sales trends. Expectations for future orders also showed a decline, in line with the generally more pessimistic outlook.

Details, Page 6

## EARNINGS ON CAPITAL

| Those expecting earnings during the current year to: | Aug.-Nov. % (4 monthly moving total) | July-Oct. % | June-Sept. % | May-Aug. % | Cnstrctn. & Bldg. % (November 1978) | Food & Tobacco % | Textiles & Clothing % |
|---|---|---|---|---|---|---|---|
| Improve | 48 | 55 | 60 | 63 | 15 | 22 | 63 |
| Remain the same | 17 | 16 | 15 | 12 | 55 | 13 | 34 |
| Contract | 22 | 23 | 23 | 22 | 1 | 40 | 3 |
| No comment | 13 | 6 | 2 | 3 | 29 | 25 | — |



# Callaghan to support electronics technology

By John Elliott, Industrial Editor

A PUBLIC commitment that the Government intends to encourage both the private and public sectors of industry to harness new forms of microelectronics will be made by the Prime Minister on Wednesday at a special meeting of the National Economic Development Council.

This will be accompanied by a warning from the Government's "Think Tank" that workers will have to be prepared to change their jobs, and maybe move their homes, if Britain's industrial efficiency and employment prospects are to benefit fully from the potential of revolutionary development in microprocessors.

## Warnings

Mr. Callaghan decided earlier this year to put his personal political weight behind the Government's interest in the developments and he will take the chair at Wednesday's council meeting of top employers and union leaders, nationalised industry chairmen, and others such as the chairmen of the National Enterprise Board and the Manpower Services Commission.

The sternest warnings about the employment and other social implications of the microchip revolution will be contained in a paper from the "Think Tank," the Central Policy Review Staff.

This will provide detailed support for the view to be stressed by the Prime Minister that workers will have to be more flexibile, both geographically and occupationally, about the work they do when microchips change production methods.

It will underline the problems that companies will face when caught in the cross-current of debates about employment prospects as new production jobs are created and others are made redundant.

## Adjustment

The council meeting will be told that the Government may have to provide special financial and other arrangements to protect and compensate those displaced, and to encourage mobility of skilled labour.

It will be warned that there will be a painful period of adjustment but that ultimately the advent of microprocessors could, providing they are accepted quickly enough by employers and unions, help employment. The alternative would be higher unemployment as British industry became less efficient.

Wednesday's meeting will be told about a range of Government initiatives including an increase from £15m to £55m in the amount of State aid available to help industries make use of microchips.

## Training

The Manpower Commission, together with individual industry training boards, will immediately start training 3,000 people in the skills of using computer software, and there will be other moves to ensure that schools and colleges meet longer-term education needs.

There will also be a report on Wednesday from the National Economic Development Office setting out how the Government's industrial strategy working parties are already helping to harness micro-electronics in areas such as printing machinery, machine tools, and industrial electrical equipment.

# Consultants to help on turbine choice

BY JOHN LLOYD

THE CENTRAL Policy Review Staff—the Government think-tank—is to engage a firm of consultants to help in its investigation into the hotly disputed question of which turbine generator is most suited for the next two nuclear power stations, at Heysham and Torness.

The two stations will together require four 660 megawatt turbines, worth between £120m and £140m.

The decision to appoint the consultants is causing alarm in some quarters of the power plant industry and in the Central Electricity Generating Board, because it is believed that the employment of a foreign, probably U.S., consultancy might increase the risks of commercial information leaking to overseas rivals.

The present PRS study is limited to deciding which of the two turbine generators—known as the four-flow and the six-flow—are technically superior. But it will inevitably have to deal with general questions of efficiency, export orders and international competitiveness.

Besides this, it is understood that the Government has not yet decided whether the report will be confidential—for the Cabinet only—or whether it will be made public, as a previous report was.

Both turbine manufacturers, the General Electric Company and C. A. Parsons, the turbine manufacturing division of Northern Engineering Industries, presented evidence to the Central Policy Review Staff last week. The think talk's study is expected to be completed early next year.

Both companies have been asked to submit competitive tenders for both four-flow and six-flow systems. It is thought likely that GEC will tender for both systems. Parsons is still considering whether to quote for both, or for the six-flow only.

Argument over British turbines, Page 14

# 19 advance factories to be built in Cardiff

BY ROBIN REEVES, WELSH CORRESPONDENT

CONTRACTS for the building of 19 advance factories in Cardiff at a cost of £3.2m were announced by the Welsh Development Agency yesterday.

They are part of a crash programme to attract new jobs to the city for men made redundant by the closure of the British Steel Corporation's East Moors works earier this year.

Sixteen of the factories are to be built on a new estate in Portmanmoor Road, immediately next to the East Moors site where the steelworks is now being dismantled and cleared.

The 19 new units will provide manufacturing space capable of supporting some 600-700 jobs. The first factories are due to be completed by June.

The building programme is being divided between three construction companies. George Wimpey has a £1.28m contract for 12 units, E. Turner a £1.62m contract for four large units, and Norwest Holst Western a £313,000 contract for three units.

The rapid development of the new factories has been made possible through special funds granted by the Government in the wake of last April's early closure of East Moors with the overnight loss of over 3,000 jobs.

# Tri-ang rescue hopes rise

HOPES OF a rescue for the Tri-ang Pedigree toy concern rose at the week-end following reports that three companies have shown interest in taking over the ailing company. Exploratory discussions involving the Welsh Development Agency and the Wales TUC are understood to be proceeding with all three concerns, one of which is believed to be based overseas, writes Robin Reeves.

Meanwhile, over 300 employees at Tri-ang are due to continue working normally this week, although 200 have received dismissal notices with effect from last Friday.

They intend to keep working for at least a week so as to offer potential buyers a fully-operational concern.

At the same time, the employees' action committee at the Merthyr Tydfil-based afctory has challenged Mr. John Morris, Secretary for Wales, to visit them and explain why he withdrew Government support from the company.

It was this decision—after government aid totalling nearly £4m since 1975—which triggered the latest closure threat. In the absence of a rescue, the undertaking is due to cease trading by Christmas.

Continued from Page 1

# Farm price support cuts

bitions of the manufacturers are met.

Moves to reduce import subsidies on bacon, already under way in Brussels, will lead inevitably to price increases for Danish imports. These will also drag up the price of home-produced bacon.

A world shortage of beef will ensure that prices of all butchers' meats will rise.

Most fruits and vegetables are hardly influenced by the Common Agricultural Policy. As a result prices will move broadly in line with changes in input costs, and there are no indications that these will cease climbing.

While "common" prices may be frozen, British farm prices are still almost 30 per cent less than the true Community level and are liable to be raised next spring in spite of any overall freeze.

Manipulation of the "green pound"—the special exchange rate for sterling against the EEC's Unit of Account—has meant that most British farm and food prices are still, even six years after joining, far below those prevailing on the Continent.

The British Government has grown accustomed to adjusting the value of this "green pound" to suit its domestic needs. It has managed to prevent any damaging retrenchment in agriculture.

Farmers and their associates are already beginning their campaign for a devaluation of this special currency to give them an increase in prices.

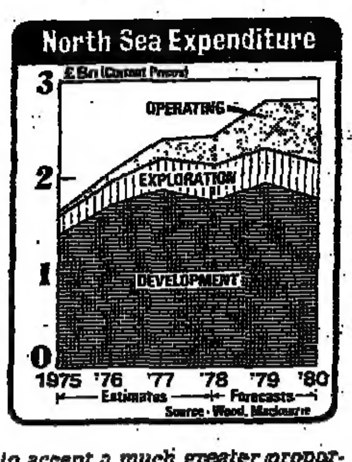
The most likely move next spring will be a devaluation of no more than 5 per cent.

THE LEX COLUMN

# Banks accept more North Sea risks

After a two-year lull international banks are now gearing themselves up to finance the second generation of North Sea oil fields. Currently there are around a dozen fields either in the early stages of development or close to the development stage and if all the projects go ahead; as much as $10bn will have to be spent on them over the next few years.

Not all these fields will be financed by the banks. Some of the big operators such as Shell or Exxon may prefer to use their own money. Nevertheless, the banks are likely to be called upon to provide a sizeable chunk of the cash. Yet although the sums required are large there should be little problem, for the banks in providing the finance.




## Advanced technology

The North Sea is, after all, no longer an unknown financial quantity. The banks' initial fears about the risks involved in the BP Forties field financing in 1972 have been shown to be exaggerated. North Sea oil has been brought ashore in large quantities and most of the problems of operating at the frontiers of technology have been mastered. There have been costly accidents but so far no bank has lost money on its North Sea lending and in the case of the Piper and Claymore loans, where there was a royalty "sweetener," some banks have done very well. The lead managers for those loans were Republic National Bank of Dallas and International Energy Bank.

Over the last few years the level of risk that the banks have been willing to accept on North Sea financing has risen significantly. Nowadays it is not uncommon for an English clearing bank to shoulder the risk that there might not be enough oil to pay off the loan, that oil prices might drop to levels where the field is no longer viable or that a field might be expropriated by the host Government.

There have even been one or two cases where banks have apparently been prepared to accept the "completion" risk. Marathon Oil's $100m non recourse production payment loan for its share of the Kinsale Head gas field is a case in point, but normally the banks want a guarantee that the production facilities will be completed before they will allow a loan to be secured and repaid solely from the proceeds of a single oilfield.

While the banks are prepared to accept a much greater proportion of the risk associated with North Sea projects these days, the climate in the Eurocurrency market has also moved much more in favour of the borrower. Last week's £60m refinancing by Tricentrol showed the sort of terms that less than prime borrowers can command even when their North Sea project is running seriously behind schedule. Likewise Lasmo seems to have had little difficulty in raising successive tranches of finance for the escalating cost of its share in Ninian.

However, even though the international capital markets are currently biased heavily in favour of the borrowers, the provision of bank finance for proposed North Sea oil fields may not be quite as easy to come by as some optimists predict. First of all there is the question of the quality of the fields waiting to be financed. None of them look to be anywhere near as profitable as Piper and Forties, for example. Most of them are much more marginal and while banks have been willing to compete aggressively in terms of interest rate spreads on North Sea financing it is as yet unclear whether they will be prepared to reduce the inbuilt safety factors in their lending criteria.

## Beatrice prospects

The $550m Beatrice field financing currently being negotiated should prove a good guide as to the sort of terms on which banks will advance funds for North Sea projects. Even, after the operator had agreed to implement a more expensive development plan (at the instigation of the Department of Energy) Beatrice still looks to be one of the more easily financeable North Sea oil fields. It is in relatively shallow water, just 14 miles off the Scottish coast, and the only technical drawback is that the oil is rather like shoe polish.

The two largest partners Kerr McGee and Mesa Petroleum should have little difficulty raising the money on the strength of their own balance sheets if they so wish, and the same goes for Hunt Oil. However, the other shareholders, Exploration Holdings, Gresleun, and P & O, which together need to find $200m or so, may find it more difficult. Their experience will provide more significant pointers to the willingness of the banking community to lend funds for North Sea development.

In earlier periods the smaller companies solved their financing problem either by selling out to a larger partner or seeking some sort of external guarantee. BP, for example, solved the problem of financing the Buchan field by shouldering the financing responsibilities of three of the smaller companies and Deminex and Ashland Oil did the same in the Thistle field. Meanwhile Tricentrol was able to raise its share of the Thistle finance with the help of a Government guarantee. Whether these small companies would be able to do the same today is debatable.

## No guarantees

Tricentrol, for one, would almost certainly not be able to secure another Government guarantee since the authorities are now much more anxious to support the expansion of the British National Oil Corporation than small British independents. In addition, it is far harder for a small company to secure a financing guarantee from an oil major (as Ranger Oil did with Chevron) because BNOC now has first option on the transfer of any licences.

Consequently, in the absence of sizeable injections of external equity finance the future financial involvement of the small companies in the North Sea will depend very much upon the willingness of the banks to lend them money.

Without the backing of the banks the Thomson Organisation, for example, would never have been able to transform itself into a major international company.

At least the banks did receive the right to royalty payments in that instance in recognition of the heavier risks involved. But the danger about many of the financings now in the pipeline is that competition is such that the banks will not be able to insist on similar royalty agreements.

# Weather

SHOWERS with a few sunny intervals.

**London, E. Anglia, S.E., E. and N. E. England, Borders, Edinburhg, Dundee, Glasgow, Cent. Highlands, N.W. Scotland**
Mostly cloudy, with early rain. Max. 7C (45F).

**Cent. S., Cent. N. and N.W. England, Midlands, N. Wales, Lake District**
Scattered showers with sunny intervals. Max. 8C (46F).

**Channel Islands, S.W. England; S. Wales**
Scattered showers with sunny intervals. Max. 10C (50F).

**Isle of Man, S.W. and N.E. Scotland, Argyll, Aberdeen, Moray First, Scottish Isles, N. Ireland**
Cloudy with some rain. Max. 7C (45F).

Outlook: Dry at first, with more rain spreading to the West and South. Overnight fog.

BUSINESS CENTRES

| | Y'day midday | °C | °F | | Y'day midday | °C | °F |
|---|---|---|---|---|---|---|---|
| Amstrdm | F | 0 | 32 | Madrid | R | 10 | 50 |
| Athens | C | 13 | 55 | Manchstr | C | 5 | 41 |
| Bahrain | C | 29 | 84 | Melbourne | C | 27 | 81 |
| Barcelona | C | 10 | 50 | Mexico C. | S | 21 | 70 |
| Beirut | F | 18 | 64 | Milan | C | −1 | 30 |
| Belfast | R | 8 | 46 | Montreal | C | −14 | 7 |
| Belgrade | C | 3 | 37 | Moscow | C | −10 | 14 |
| Berlin | C | 3 | 37 | Munich | C | −4 | 25 |
| Birmnghm | R | 5 | 41 | Newcastle | C | 4 | 39 |
| Bristol | C | 9 | 48 | New Delhi | S | 16 | 61 |
| Brussels | S | 3 | 37 | New York | R | 2 | 36 |
| Budapest | R | 2 | 36 | Oslo | C | −1 | 30 |
| B. Aires | S | 23 | 73 | Paris | F | 5 | 41 |
| Cairo | S | 20 | 68 | Perth | S | 20 | 68 |
| Cardiff | R | 9 | 48 | Prague | C | 1 | 34 |
| Chicago | R | 6 | 43 | Reykjavik | C | 5 | 41 |
| Cologne | F | 2 | 36 | Rio de J'o | S | 29 | 84 |
| Copnhgn | C | 2 | 36 | Rome | R | 11 | 52 |
| Dublin | R | 10 | 50 | Singapore | R | 24 | 75 |
| Edinburgh | F | 5 | 41 | Stockholm | C | −4 | 25 |
| Frankfurt | C | 1 | 34 | Strasburg | C | −4 | 25 |
| Geneva | F | 0 | 32 | Sydney | F | 25 | 77 |
| Glasgow | F | 4 | 39 | Tehran | C | 5 | 41 |
| Helsinki | S | −11 | 12 | Tel Aviv | R | 16 | 61 |
| H. Kong | S | 21 | 70 | Tokyo | S | 16 | 61 |
| Jo'burg | C | 25 | 77 | Toronto | R | −1 | 30 |
| Lisbon | R | 16 | 61 | Vienna | C | 3 | 37 |
| London | C | 6 | 43 | Warsaw | C | −3 | 27 |
| Luxembourg | S | −1 | 30 | Zurich | C | −4 | 25 |

HOLIDAY RESORTS

| | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | R | 13 | 55 | Jersey | R | 8 | 46 |
| Algiers | C | 17 | 63 | Las Plms. | S | 21 | 70 |
| Biarritz | C | 14 | 57 | Locarno | S | 4 | 39 |
| Blackpool | C | 6 | 43 | Majorca | C | 18 | 64 |
| Bordeaux | R | 7 | 45 | Malaga | C | 19 | 66 |
| Boulogne | C | 2 | 36 | Malta | F | 16 | 61 |
| Casablanca | C | 17 | 63 | Nairobi | C | 20 | 68 |
| Cape Tn. | S | 25 | 77 | Naples | C | 10 | 50 |
| Corfu | S | 15 | 59 | Nice | C | 10 | 50 |
| Dubrovnik | S | 13 | 55 | Nicosia | R | 18 | 64 |
| Faro | C | 18 | 64 | Oporto | C | 14 | 57 |
| Florence | C | 3 | 37 | Rhodes | C | 15 | 59 |
| Funchal | S | 20 | 68 | Salzburg | S | −3 | 27 |
| Gibraltar | F | 19 | 66 | Tangier | F | 19 | 66 |
| Guernsey | R | 8 | 46 | Tenerife | F | 19 | 66 |
| Innsbruck | F | −2 | 28 | Tunis | C | 16 | 61 |
| Inverness | F | 3 | 37 | Valencia | C | 17 | 63 |
| Is. of Man | C | 8 | 46 | Venice | S | 3 | 37 |
| Istanbul | R | 6 | 43 | | | | |

S—Sunny. F—Fair. C—Cloudy. R—Rain.



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هكذا من الأصل